

23 September 2024

Leisure Transformation Programme

Report of Amy Harhoff, Corporate Director of Regeneration, Economy, and Growth

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 This report provides a summary of the leisure transformation programme, and an update on current and planned works and completed project delivery to date.
- 2 The report notes the due diligence work undertaken on site options for Seaham and development and cost appraisals work across all sites, following the report to Cabinet in September 2021.
- 3 The report outlines the challenging financial environment facing the council in its overall operation and regarding the delivery and operation of leisure facilities and also highlights the overall costs of the programme. Within that context it outlines the proposed approach to the facilities that have not yet commenced in the programme.
- 4 The report outlines an update relating to the £10 million Medium Term Financial Plan (MTFP) commitment for Seaham and Chester-Le-Street Leisure Centres.

Executive summary

- 5 In January 2020, Cabinet agreed a set of recommendations setting out an ambitious leisure transformation programme focussed on the council's leisure centre venues. The aims of the programme were to modernise the leisure offer and support health and wellbeing outcomes in the wider population. The estimated costs of the programme at that stage were £62.8 million to support planned investments across leisure centres which included new build facilities in three locations and regenerated facilities or lighter touch improvements across a further twelve locations.

- 6 When a local authority commits to major investment programmes such as the leisure transformation programme, budget and funding arrangements often cover multiple budget planning periods. In January 2020, the council's Cabinet committed publicly to an ambitious investment programme in its leisure centres. It did so in the knowledge that the budget provision was not at that stage available but was expecting to be in a position to draw down the necessary funding across a number of future budget planning cycles.
- 7 All decisions by Cabinet (and by County Council) are taken in the context of members' fiduciary responsibilities for public funding. Factors which are outside of the council's control, such as the level of central government funding settlement and inflationary / demographic pressures, can and do pose significant challenges to being able to fund the council's aspirations for investment in services for its residents.
- 8 It was agreed in principle in January 2020 that capital investment of £62.8 million would be included in 2 consecutive Medium Term Financial Plans - MTFP (10) (which covered the period between 2020/21 to 2023/24), and MTFP (11) (which covered the period between 2021/22 to 2024/25), with £38 million of the overall investment being funded on a self-financing basis. The remaining £24.8 million would be funded based on further prudential borrowing which was anticipated would be drawn down as part of future annual Medium Term Financial Planning processes.
- 9 In March 2021, Cabinet considered a report setting out the details of progress made and proposing preferred locations for new build facilities in Bishop Auckland, Chester-Le-Street, and Seaham. The revised forecast for the capital cost of the programme had increased by £15.4 million to £78.2 million at that stage, with £38 million to be funded on a self-financing basis and the remaining £40.2 million to be financed through future budgets.
- 10 The council did not fully reflect the full £78 million in the capital budgets agreed by the County Council, because it was anticipated that the leisure investment would be factored into the capital programme over at least two future MTFP planning periods due to the length of the programme. Therefore, at that point, the council set an initial budget of £39.2 million for deliverable activities in the capital programme.
- 11 The March 2021 report also noted concerns regarding the impact of the planned level and scheduling of investment on the council's VAT partial exemption position. The VAT issue was a material consideration in the decision-making around the timing, scheduling and investment

decisions between March 2021 and March 2023 and constrained the pace and the planning of the leisure transformation programme.

- 12 This related to the fact that at that time most leisure income was classed as exempt, and therefore the VAT recovered on the running costs and any capital investment in leisure centres formed part of the council's calculations for Partial Exemption. If a certain threshold of the council's overall VAT claim for input tax related to the provision of services which were classed as exempt from VAT, the council would have had to repay somewhere in the region of £14 million in previously reclaimed VAT.
- 13 A subsequent a legal case which Chelmsford Council won against HMRC changed the status of most leisure income from 'exempt' to 'non-business' which resulted in any VAT on Leisure Capital Expenditure falling outside the partial exemption calculation. HMRC revised its guidance (to the benefit of the council and the wider sector in March 2023), and this issue no longer poses a financial risk to the council.
- 14 A further report was presented to Cabinet in September 2021, which followed additional due diligence on the preferred site locations for the proposed new builds. This resulted in preferred locations being set out for Bishop Auckland at the current site of Woodhouse Close and the former civic centre site in Chester le Street. It identified that further work was required on site options for Seaham. The revised programme was still forecast to be £78.2 million at that point in time. However, the actual Capital Budget was not adjusted to reflect this increased commitment at that stage.
- 15 The September 2021 report also set out the approach to scheduling the non-new build capital programme based on the VAT context at that time and level of design progression and deliverability; alongside the level of public consultation that would be required depending on the scale of change proposed. At that time, it was anticipated that the entirety of the original aspirations would be delivered.
- 16 The current forecast programme costs to deliver on the original aspiration now far exceed the figures originally agreed in 2020 and updated in 2021, which reflect several factors, the most significant of which is the extraordinary inflationary pressures since 2021, as well as the more advanced stage of development and delivery and therefore cost certainty across all sites; and the worse than anticipated condition of the facilities.
- 17 The costs of borrowing to fund this extensive and ambitious programme have also risen due to higher interest rates on borrowing.

A table outlining the estimated costs is shown below, with details on a site-by-site basis set out at Appendix 4. This shows that the council would now need to spend at least circa **£109.2 million** to deliver the original aspirations of the Leisure Transformation Programme:

Category and facilities	Original January 2020 Capital Estimates (Excluding Capitalised Maintenance Investment) £m	Updated March 2021 Capital Estimates (Excluding Capitalised Maintenance Investment) £m	Latest Forecasts to Meet Original Aspirations (Including Capitalised Maintenance Investment) £m	Current Funded Budget Provision (Including Capitalised Maintenance Investment) £m
New build facilities	48.000	58.900	79.346	26.645
Regenerated and refurbished facilities	12.820	17.273	26.721	22.971
Riverside (develop through partnership)	2.000	2.000	3.100	3.100
Unprogrammed / Unallocated	0.000	0.000	0.000	10.104
TOTAL CAPITAL	62.820	78.173	109.167	62.820
<i>Additional Budget Required to Meet Original Aspirations</i>			46.347	
<i>Additional annual Revenue Borrowing Costs to Meet Original Aspirations</i>			2.519	

Note - The current budget includes transfers from capitalised maintenance budgets to address issues across the sites in scope.

- 18 The original £39.2 million capital budget agreed in February 2021 has been increased at various stages to its current level of £62.8 million, as summarised below:

Capital Budget	£'m
Capital Budget Approved in February 2021	39.2
Additional Borrowing for Woodhouse Leisure Centre New Build	4.0
Sport England Grant for at Woodhouse Leisure Centre New Build	2.5
Capitalised / Structural Maintenance transfer across leisure sites in scope of programme	5.4

Capital Budget	£'m
Revenue Contribution	0.1
Environment Budget Transfer	0.3
Co-location of Spennymoor Library	1.3
Sub-total	52.8
Ring-fenced Allocations for Chester-Le-Street and Seaham Leisure Centres – February 2024 MTFP 15 Budget Report	10.0
Grand Total	62.8

- 19 If the council were to deliver the full original programme, the capital budget would have to be uplifted by a further £46.347 million.
- 20 The council's financial position has deteriorated since the 2024/25 budget was approved in February 2024 and is more profoundly challenging than it was in 2020 and in 2021 when the initial aspirations were set out. The latest Medium Term Financial Plan (MTFP) forecasts show an extremely challenging financial outlook for the council, with a funding gap of circa £64.130 million across the next four years – despite an assumed annual 2.99% increase in council tax across this period
- 21 A £62.2 million investment in the health and wellbeing agenda through the commitments to the current leisure centres in the capital programme remains exceptional in the current climate. There are very few areas nationally providing such a level of public investment into the discretionary service of leisure.
- 22 Councils don't provide leisure facilities for commercial return; the primary driver for this discretionary service provision is to support access to affordable facilities for residents and the resulting health, wellbeing economic and social benefits created for our communities.
- 23 Durham County Council works in close partnership with health, sport, and community partners to maximise the impact of its investment and will continue to innovate in this area; however local authority leisure facilities generally make a net loss unlike private sector operators such as large budget gym chains which are not bound by local authority pay structures, in many cases have lower overhead costs to recover and are not delivered on the basis of a public benefit requirement.
- 24 Leisure delivery is a significant cost to the council. The council's net revenue budget to fund Leisure Services in 2024/25 is £8.330 million. This budget was increased by £1.0 million in 2024/25, as part of MTFP

(14), to reflect the challenges in leisure centres generating sufficient income and followed an overspend in leisure provision of £1.916 million in 2023/24 - which was due in large part to shortfalls in income during periods when facilities were closed whilst refurbishment and redevelopment works took place and an underlying reduced usage of these facilities post Covid.

- 25 In the current year, there is a forecast overspend of £1.325 million due to challenges in meeting revised income targets at completed leisure sites, higher business rates costs, challenges meeting staff saving targets and additional catering costs. These forecasts suggest the costs of delivering the current range of leisure services is becoming more challenging, within the context of wider budgetary pressures facing the council.
- 26 In terms of the Leisure Transformation Programme aspirations, the key financial issues are the affordability of implementing the original intended programme given:
- a) the increased capital costs of delivering the original programme aspirations;
 - b) increased cost of borrowing due to the interest rate rises over the last three years [bank base rates have increased from 0.1% in March 2021 to 5.25% in September 2023 before reducing marginally to 5.00% in August 2024] and the increased costs of the programme that would need to be funded from additional borrowing;
 - c) risks over the ability to generate the income levels to sustain the self-funded borrowing given the cost-of-living crisis, higher operating costs, and squeeze on household income; and
 - d) impact of additional borrowing requirements on our MTFP planning (which would result in increased cuts and risk to statutory service delivery).
- 27 In this affordability context the current committed programme set out in this report maximises the available budget to achieve the aims of leisure transformation.
- 28 As noted in the September 2021 Cabinet report, projects would all be subject to a leisure conversation - (a focussed period of consultation and engagement activities) as and when proposals progressed to a sufficiently developed stage, where meaningful details could be shared with stakeholders.

- 29 Therefore, the phasing of projects is the result of progressed designs, deliverability and any subsequent design changes indicated because of the leisure conversation and in the context of the VAT constraints at the time.
- 30 Woodhouse Close was prioritised as the first new build facility using the criteria set out in paragraphs 107-155. The centre is the oldest facility in the council's leisure estate, serving our most challenged communities. This project aligns most closely to Sport England priorities, allowing the council to successfully bid for a £2.5 million capital grant.
- 31 Review of the strategic leisure demand and provision assessment (107-155) confirms that the programme will realise optimum strategic benefit in the available budget.
- 32 Utilising insight and inputs from across the leisure sector and working with national bodies such as Sport England, we have gathered the necessary evidence to understand and prioritise both the service and facility interventions which will bring about the most positive impacts and support the council's vision for 2035. The current committed programme is set out in the following table. It will achieve one new build facility, five refurbished or regenerated sites and two sites will be safeguarded until such a time when an affordable new build or regenerated site programme can be achieved.

CURRENT COMMITTED PROGRAMME			
Project	Description	Budget £m	Status
Abbey	Refurbishment including new Move Hub, fitness facilities, play offer and Café.	£4.128	Complete
Peterlee	Refurbishment including new fitness facilities, play offer, tenpin bowling and Café.	£5.966	Complete
Louisa Centre	Refurbishment including (Phase 1) new fitness facilities, Move Hub, play offer and Café. (Phase 2) Clip & Climb and Tag Active.	£6.147	Phase 1 complete Phase 2 due to complete Autumn 2024
Spennymoor	Refurbishment including	£5.036	Phase 1 complete date

CURRENT COMMITTED PROGRAMME			
Project	Description	Budget £m	Status
	(Phase 1) New centralised reception and colocation of the library. (Phase 2) Swimming pool improvements, play offer and Café.		Phase 2 due to complete in late Autumn 2024
Teesdale	Refurbishment including refreshed play offer, new fitness facilities, Move Hub, new pool changing and general improvements throughout the site	£1.693	Due to be complete in the Autumn 2024
Bishop Auckland	New Build replacement of the existing leisure centre at Woodhouse close	£26.608	Due to commence in the Autumn 2024
Chester le Street and Seaham	Monitoring building condition and undertaking essential work to keep centres in operation	£10.000	To be drawn down when required

33 Each project has been developed carefully in line with the strategic framework set out in 107-155, cognisant of the strategic priorities of the council and achieve the outcomes of the leisure transformation programme.

Remaining new builds- Chester le Street and Seaham

34 The estimated new build costs of new facilities at Chester le Street and Seaham have risen from an assumed £32 million in 2020, to an estimated combined cost of £52.7 million based on the updated high-level estimates, with a strong likelihood that costs could well be in excess of this.

35 Significant design work was undertaken across the life of the programme to identify viable options for new builds or regeneration/extension.

36 Further work was carried out to identify customer focussed improvements following the allocation of £10 million in the February 2024 budget report to Cabinet and County Council. This identified that such improvements across both sites would be unaffordable given the buildings' condition, and furthermore that the cost of such improvements could be abortive in light of any new build or extensions.

- 37 Given the age of the facilities and likely requirement for emergency or essential works to maintain operations, the £10 million allocated will remain ringfenced for this purpose.

Currently non-programmed sites: Riverside, Shildon, Meadowfield and Freeman's Quay

- 38 Initial proposals for the Riverside reached a well-developed and workable stage and these proposals have been subject to significant community consultation and engagement. The proposals were based on partnership arrangements that would support the requirement for a largely self-financing scheme. There remain significant local concerns and divergence of opinion on the proposals. This means that the proposed and largely self-financing scheme will not be taken forward and the development of any further proposals will be paused while the council works with communities and stakeholders to consider the optimum approach for the site.
- 39 Shildon Leisure Centre was part of a dual-use site which hosted both the leisure centre and Shildon Sunnydale Comprehensive schools. As a result, the leisure centre was not subject to a designed scheme, as the arrangements for the attached Sunnydale school site were subject to further consideration.
- 40 Following consultation, the school was consolidated in the Greenfield College site at Newton Aycliffe and the Sunnydale School site has been demolished. The leisure centre has a small and reducing membership, which reflects the impact and reach of the larger Newton Aycliffe Leisure Centre offer which is in close proximity to Shildon. Memberships are also anticipated to continue to decline when the new build facility at Bishop Auckland opens.
- 41 In the current challenging financial environment, there is a very limited strategic case for developing design proposals for Shildon Leisure Centre as part of leisure transformation. As a result, the £1.6 million nominally allocated in the 2020 budget forecast has been reduced to nil on affordability grounds and reallocated to meet the increased costs of the wider programme.
- 42 Shildon remains an important hub for the development of football and outdoor sport, therefore £128,506 has been ringfenced from a total £300,000 set aside to support match funding for an external bid for a replacement and relocation of the current 3G pitch facility. This will support Shildon Football Club towards a circa one-million-pound 3G development which will be required as a condition of funding to be open to the wider community. Further partnership opportunities will continue to be explored.

- 43 Meadowfield Leisure centre has not been subject to formal design scheme at this point in the programme and not prioritised in the initial phase of the programme. It has seen a 30% drop in membership despite enhanced marketing campaigns. The close proximity of higher quality council leisure centres at Abbey and Freemans Quay and high-quality private sector facilities indicates a continued downward trend in membership and continuing lower prioritisation for the council.
- 44 In the challenging financial environment, there is a very limited case for developing design proposals for Meadowfield Leisure Centre as part of leisure transformation. The budget of £1.1 million nominally allocated in the 2020 budget forecast has been reduced to nil on affordability grounds and reallocated to meet the increased costs of the wider programme. The council will continue to work to support a leisure offer in this area.
- 45 Freemans Quay Leisure Centre was not subject to a formal design scheme as previous profit share contractual agreements would have made any scheme unviable. The budget of £633,490 nominally allocated in the 2020 budget forecast has been reduced to nil on affordability grounds. As one of our newest and most popular centres we will continue to ensure that programmed activity is high quality and relevant to the needs of its users and communities.
- 46 Customer feedback from the transformed sites has been highly positive; of particular note is the increase in use by families and young people in the soft play and tag active zones, and by older people and those needing a more introductory level or rehabilitation gym offer in the 'Move Hub'. These two user groups are particularly key in terms of increasing activity levels across the county, and in addressing health inequalities.
- 47 Membership sales and income have performed well, with substantial development upon pre-transformation levels of performance. However, achieving the levels of anticipated income forecast has proved challenging given the wider financial context and due to the same external pressures operating costs are currently tracking higher than anticipated.
- 48 Cost pressures are partly due to increased staffing requirements for new products in the transformed facilities because of health and safety assessments which require higher staffing ratios than those in other operational contexts where the new products are delivered such as the private sector. Cost pressures are also arising from utility costs and general provision of supplies and services, forecast costs budgeted for in 2024-25 are in the region or 50% higher than those in 2018-19.

- 49 The council chose a commercial partner to pilot new food and beverage arrangements., This approach has proved successful in terms of with a good quality offer in place, which has been very well received by patrons, however, it has proved more costly to deliver catering provisions than originally forecast. These pressures have emerged through the cost of goods and materials where the ongoing global challenges and domestic economic context
- 50 The programme to date has also made a significant contribution to the council's Climate Emergency Plan.
- 51 The council declared a Climate Emergency in 2019 and has adopted a target to be Net Zero in its operations by 2030. The route to Net Zero is set out in the council's Climate Emergency Response Plan, the third edition of which was adopted in July 2024.
- 52 Leisure centres, particularly those with swimming pools, are high consumers of energy and are therefore crucial buildings to consider on the road to net zero. Without significant decarbonisation across the leisure portfolio the council will not meet its Net Zero ambitions. Nine of the top twenty most carbon emitting buildings in the council's ownership are leisure centres, with seven in the top ten.
- 53 Significant progress has already been made over recent years however, with solar PV and LED lighting installed across the estate through invest-to-save funding, much of which has already paid back. Solar PV installed in 2021 paid back in just two years. Heat decarbonisation is more challenging but is supported by the governments Public Sector Decarbonisation Scheme (PSDS), which has enabled upgrades to building services, plant, and equipment at a number of leisure centres. The outcome of this investment has been a reduced requirement for fossil fuels, increased energy efficiency and the generation from on-site renewables.
- 54 There remains a significant requirement for further decarbonisation across all these sites. Work is ongoing at Newton Aycliffe investigating further decarbonisation works, with the Louisa Centre going into detailed design on a project designed to utilise waste heat from a third party at the centre, whilst further solar PV, including solar car ports are being planned across a number of sites including, Peterlee Leisure Centre, Consett Leisure Centre, and the Louisa Centre. A further PSDS application will be submitted for Freemans Quay when the new round opens in October 2024.

Recommendation(s)

- 55 Members of Environment & Sustainable Communities and Economy and Enterprise Overview & Scrutiny are invited to comment upon the information contained within this report.

Background

- 56 In January 2020, Cabinet agreed to a set of recommendations for a Leisure Transformation Programme. The January 2020 report set out a scope which focussed on transforming leisure centre venues to support health outcomes in the wider population, while improving and modernising council leisure centres. The programme would be part self-funded via additional net income generated from the improved facilities and funded through prudential borrowing. The estimated costs of the programme at that stage were £62.8 million - with £38 million to be funded on a self-financing basis and the remaining £24.8 million to be financed from future bids into the broader capital programme. The report also set out proposals for the council to buy out the Competition Line UK contract for the provision of gyms across a number of the centres.
- 57 A report was subsequently submitted to Cabinet in March 2021, setting out the details of the progress made on selecting appropriate site locations for new build leisure facilities in Seaham, Bishop Auckland, and Chester-Le-Street. The March 2021 report detailed how an initial twenty-three site locations were considered, assessed, and eventually shortlisted to the nine most viable locations based on those assessments.
- 58 The March 2021, Cabinet report included a revised forecast for the capital cost of the programme, which had increased by £15.4 million to £78.2 million at that stage, with £38 million to be funded on a self-financing basis and the remaining £40.2 million to be financed from future bids into the broader capital programme. The March 2021 report included a number of recommendations, including the need to review key areas of deliverability for the schemes and, significantly, the impact of the programme on the council's VAT partial exemption position. The report concluded the following preferred option for each site:
- a) New Build Site for Seaham - a hybrid approach with new facilities at St John's Square and on the existing site.
 - b) New Build Site for Chester Le Street – the selection of the former Civic Centre site.
 - c) New Build Site for Bishop Auckland - the recommendation was for a new build at Tindale Crescent.
- 59 In September 2021, a follow-up report was presented to Cabinet setting out further due diligence work on previous preferred site

options and resulted in the following approved sites for Chester-Le-Street and Bishop Auckland:

- a) New Build Site for Chester Le Street – the former Civic Centre site.
- b) New Build Site for Bishop Auckland - the existing Woodhouse Close site.

- 60 In February 2024, being considerate of the significant financial challenges facing the council, it was necessary to reflect further on plans for Seaham and Chester-Le-Street. As a result, the council agreed to set aside £10 million in the MTFP (14) report approved by County Council on 28th February 2024 for Seaham and Chester-Le-Street Leisure Centres. Although regenerated and/or new centres remain very much part of future consideration, we can only deliver on these intentions as and when finances and funding allow and make it prudent and responsible to do so.
- 61 The council approves its budget and updated Medium Term Financial Plan (MTFP) forecasts and sets its council tax for the coming year at a meeting of County Council in February each year. The budget and MTFP report are where the capital programme and funding of this is agreed.
- 62 When a local authority commits to major investment programmes such as the leisure transformation programme, which spans a number of years, budget and funding arrangements often covers multiple budget planning periods.
- 63 All decisions by Cabinet (and by County Council) are taken in the context of members' fiduciary responsibilities for public funding and investment in services must always be affordable. Factors which are outside of the council's control, such as the level of central government funding settlement and inflationary / demographic pressures, can and do pose significant challenges to being able to fund the council's aspirations for investment in services.
- 64 Prudential borrowing has a direct impact on the council's revenue budget. Broadly, every £20 million of capital expenditure funded from prudential borrowing results in circa £1 million of additional revenue budget impact – increasing the budget deficit / savings gap the council has to find to balance its budget. This is particularly challenging for the council given its inherent low tax base and raising capacity and its inability to meet basic inflationary pressures and unavoidable demographic growth, particularly in children's social care for revenue raised from council tax increases.

- 65 The latest Medium Term Financial Plan (MTFP) forecasts show an extremely challenging financial outlook for the council, with a funding gap of circa £64.130 million across the next four years – despite an assumed annual 2.99% increase in council tax across this period. £14.916 million of the council's MTFP(15) challenge relates to the increased capital financing and prudential borrowing costs linked to the current (£11.014 million) and future (£3.686 million) capital programme aspirations.
- 66 Due to the council's extremely challenging financial position, and in the absence of a significant increase in government grant funding (which seems highly unlikely at this stage) the council does not have the capacity to take on additional capital financing borrowing costs at this time and without a plan to fund these through reductions in service delivery.

VAT Partial Exemption

- 67 Local authorities can recover all VAT they are legitimately charged by VAT-registered suppliers by virtue of Section 33 of the VAT Act 1994 (as amended). Previous leisure transformation reports have detailed the VAT partial exemption (PE) risk in relation to the proposed significant investment in the leisure facilities.
- 68 As a Section 33 body, the council can recover VAT on expenditure incurred in generating exempt income (including leisure income), subject to this not exceeding 5% of total input VAT recovered by the council. This is known as the Partial Exemption calculation and generally the council runs at around 3.7% of its overall VAT recovered in relation to exempt activities.
- 69 If breached, all VAT recovered on activities that generate exempt income in the year in question is repayable to HMRC – which would create a significant pressure upon the council overall revenue budgets. The council's 5% threshold is normally circa £3.1 million per annum (based on a seven-year average of VAT recovered). This is the cost that would be incurred in each of the years the council breached its PE threshold should it exceed this on a seven-year average.
- 70 VAT incurred on capital expenditure where exempt income can be generated once completed contributes to the PE calculation. An assessment has to be made on the proportion of income that will be generated by any new leisure facility that will be generating exempt income before it is opened.
- 71 In the March 2021 report, the challenges in relation to the council's VAT partial exemption position were outlined. At that time Chelmsford

Council had won a case against HM Revenues and Customs (HMRC) to demonstrate that the VAT rating of leisure facilities was not in fact exempt and should be amended to non-business rated which would result in any VAT on Leisure capital expenditure falling outside the scope of the partial exemption calculation. HMRC had appealed this decision and there was no certainty in relation to the timeframes for resolution.

- 72 As a result of this uncertainty, the council had to carefully profile the potential capital investment across the programme, and this resulted in some projects needing to be progressed at a later stage than originally anticipated. This is because the impact of the VAT exempt income meant that only a certain level of expenditure could be accommodated in each year and so the council had to give careful consideration to what level of spend could be managed over a number of financial years without breaching the seven year average for its partial exemption limit, whilst profiling this across a construction programme for highly complex leisure investment. Had the council not done this, it was estimated that the council would be exposed to a £14 million VAT repayment penalty to HMRC.
- 73 Chelmsford City Council's claim that leisure income is not exempt was ultimately upheld, and in 2023, HMRC clarified that the VAT status of leisure income associated with leisure facilities is predominantly classed as non-business. This means that the risk of the council breaching its partial exemption limit, as a result of the extensive leisure transformation investment was no longer a significant issue or risk.
- 74 Therefore, the key financial risks relating to the Leisure Transformation Programme now relate primarily to the affordability of implementing the original intended programme given:
- a) the escalated costs of the programme;
 - b) increased cost of borrowing due to the interest rate rises [bank base rates have increased from 0.1% in March 2021 to 5.25% in September 2023 before reducing marginally to 5.00% in August 2024] and the increased costs of the programme that would need to be funded from additional borrowing;
 - c) risks over the ability to generate the income levels to sustain the self-funded borrowing given the cost of living crisis, higher operating costs, and squeeze on household income; and
 - d) impact of additional borrowing requirements on our MTFP planning (resulting in increased cuts to front line service delivery).

Costs and Inflation Pressures

- 75 Since 2020, the council and the wider sector has faced exceptional challenges from high and volatile inflation, which has impacted most significantly on construction costs. These challenges have been compounded by increased interest rates, which has made the revenue impacts of prudential borrowing more expensive – the bank base rate has increased from 0.10% in March 2021 to 5.25% by September 2023, with the first reduction in August 2024 to 5.00%. The PWLB borrowing rate (on which the council's borrowing costs are based) increasing from circa 2.3% in March 2021 to around 5.5%, with rates remaining high despite the recent reduction in bank base rate, with borrowing over 40 years presently tracking at around 5.1% - higher than the level assumed in the latest MTFP assumptions.
- 76 The council's MTFP forecasts show an extremely challenging financial outlook for the council, with a funding gap of circa £64.130 million across the next four years of the Medium-Term Financial Plan, and the need to use £3.720 million of reserves to balance the council's budget in 2024/25, despite a council tax increase of 4.99% in 2024-25. Almost £15 million of the council's MTFP challenge relates to capital financing and prudential borrowing costs linked to the council's extensive and wide-ranging capital programme.
- 77 The proposed investment in our leisure centres, which are discretionary services, is also taking place at a challenging time for the leisure sector. The 2024/25 budget included a budget pressure of £1 million to rebalance (reduce) the leisure income budgets (increasing the net costs and therefore the subsidy provided by the council of these facilities) as usage has not returned to pre-pandemic levels and the budgets were overspending as a result. These challenging circumstances for our leisure facilities is in line with both regional and national trends.
- 78 The provision of leisure facilities is not a statutory function of local authorities. Councils rarely invest in leisure as a commercial venture, with a view to generating a surplus. There are also significant costs and overheads associated with running swimming pools. The budgets to fund leisure centres are funded from council tax and general grant income in the same way as other services.
- 79 The net cost (subsidy by the council) of leisure centre provision in 2023/24 was £9.253 million, of which £1.916 million was a budget pressure (overspend) – largely related to unachieved income from a combination of reduced footfall for periods where facilities were closed during refurbishment works (circa £0.735 million) and an underlying reduction in usage post pandemic (circa £0.820 million).

- 80 The net budgeted cost for 2024/25 is £8.330 million, with a forecast outturn position of £1.325 million overspend. An element of this overspend relates to the fact some facilities are shut for refurbishments as part of the leisure transformation process, however, there appears to be a recurring and underlying shortfall on income estimates and levels of expenditure relating to leisure centres which have opened following investment from the leisure transformation capital.
- 81 Since the initial cabinet decision to bring forward the leisure transformation programme in January 2020, there have been unprecedented world events that have had a major inflationary impact on capital construction costs and underlying demand for leisure services, due to cost of living pressures. Within the time-period, the council has been dealing with the residual after-effects of the Covid pandemic, the impact of which can still be seen within levels of participation in leisure venues where recovery to pre-pandemic levels of business has been slower in some sectors than originally forecast. In 2023/24 leisure centre total visitor numbers were markedly lower than in 2019/20. This was the case even though the service insourced an additional three leisure centres during the post pandemic period.
- 82 Since the pandemic challenges posed by high inflation, increased interest rates, a squeeze on the cost of living and supply chain issues in the construction market have persisted and compounded overtime causing major issues with the costs and deliverability of our centers. One area that has been critically influenced by these various global factors is construction-cost inflation. As a result, the construction industry is facing well documented and unprecedented levels of demand and inflationary cost pressures.
- 83 In addition to the issues onset by the pandemic the illegal invasion of the Ukraine which commenced February 2022 caused rising energy costs not forecast or foreseeable at the time the original plans were set, and these issues cause significant pressure on the council's finances.
- 84 Taking two example leisure venues into consideration, one from the north and one from the south, both with pools, the table below illustrates the collective change in operating costs for utilities and supplies and services budgets. Budgeting for 2023-24 allowed for an 85-95% increase in costs, and whilst pressures have begun to settle, costs remain more than 50% higher in 2024-25 than they were in 2018-19 for key areas of normal leisure centre expenditure.

Budget for Utilities and Supplies & Services					
Venue	18/19	23/24	24/25	Diff	% Change
Pool Venue - South Durham	287,137	559,227	447,862	160,725	56%
Pool Venue - North Durham	361,775	668,272	529,459	167,684	46%
	648,912	1,227,499	977,321	328,409	51%

85 External factors mean costs have risen. With inflation pressures affecting construction industry pricing and operating costs and market volatility making accurate forecasting very difficult, collectively this has presented significant pressure to the overall programme.

Project Scope and Engagement

86 A significant component of the programme is a commitment to consultation on project proposals and as a result a large volume of views and opinions have been gathered from a significant number of stakeholders through a variety of consultations and community engagement processes.

87 Since the programme was first committed by Cabinet in January 2020, consultation has taken place to consider the general activities and outline leisure proposals alongside initial new build site selection consideration in November and December 2020. This was followed by a first round of site-specific consultations on Abbey, Peterlee, Spennymoor and Teesdale Leisure Centre's during October and November 2021.

88 Consultation subsequently followed in the summer 2022, which focussed on the refurbishment plans for the Louisa Centre and the new build proposals for Chester-Le-Street and Bishop Auckland. Also, during the summer period 2022 and then again in the winter period 2022 through into January 2023, consultation took place on proposals for the Riverside, Roseberry, and wider outdoor sports provision in Chester-Le-Street.

89 As a result of consultation to date we have engaged with more than 4,000 people through digital surveys, engaged hundreds of residents through in-person and digital focus groups & special interest conversations and achieved a cumulative digital reach through our website and social media of almost 100,000 views and click throughs.

90 Consultation has taken place on the proposals at Abbey Leisure Centre, Peterlee Leisure Centre, Teesdale Sports Centre, Louisa

Centre in Stanley, and proposals for Bishop Auckland and Chester-Le-Street. A number of focussed consultations have also taken place on the Riverside and outdoor sporting facilities in and around Chester-Le Street. In the main, these consultations have taken place when the level of design development on each scheme has reached a stage where consultation could be both meaningful and insightful for the delivery of the projects.

- 91 The approach to consultation has involved the widest cross section of stakeholders, taking in the views of partner organisations and key statutory bodies, in addition to capturing the views and opinions of local people. Consultation outcomes have formed the later stage development of schemes and where applicable designs and proposals have been amended to reflect the feedback received.
- 92 Continuing the thread of continuous engagement and conversation as projects come forward is vital to their success and part of any plans for the continuation of projects will include stakeholder consultation and appropriate community engagement.
- 93 Although the main focus of the Leisure Transformation Programme has been the physical transformation, improvement and change to facilities, there were also additional objectives arising from the programme. As capital schemes have developed, other areas of work have taken place to change our ways of working and update some of our methods of delivering services to communities. Our leisure facilities have a major role in supporting the health and wellbeing of our residents. Leisure transformation will allow the service to take a more holistic and community-minded approach to leisure and wellbeing and the leisure facilities will be reinvented as physical activity hubs, centered at the heart of local communities 'supporting people to develop the motivation, confidence, and capacity to be more active.
- 94 One of the key aims within the original leisure transformation programme approved by Cabinet in January 2020 was the proposal to streamline operations into a single service operating model. At that time, the council still had legacy arrangements in place for the operation of leisure facilities in the east of Durham (namely Peterlee and Seaham Leisure Centres) and shared operating agreements in respect of 7 fitness suites across the county.
- 95 A single operating model provides the council with several key strategic benefits, giving overall control of products and service to the council, allowing the suite of products and services on offer to residents to be reviewed and available countywide. It provides a single brand and allows for the harmonisation of products, pricing, and concessionary access to all residents countywide.

- 96 Running parallel to the facility improvement programme, the council has managed an effective end to secondary management arrangements (including the buy-out of the Competition Line UK contract) and has achieved a single service operating model for leisure service provision across County Durham, where all 15-leisure centres are now directly operated by the council. As a result of this, we have been able to simplify our leisure products and embark on new membership product options and consistent fees and charges across the county, including multi-site options to ensure an affordable, equitable and inclusive offer to drive demand and increase participation levels.
- 97 Post pandemic there has been a significant shift towards local authorities returning to in-house led models of operation, predicated largely in-response to external operators not being able to maintain services given the pandemic's effect on leisure centre operations, specifically cost impacts and reduced income levels.
- 98 Across the Northeast region, there is a mix of leisure service delivery models, with roughly half of authorities delivering services in-house and the remainder made up of a mix of private contractors and local trusts. When considering those of commensurate scale and comparable with County Durham (based on geographical size and/or no. of facilities) Newcastle City Council has 9 facilities, 7 of which are managed through external contracted leisure providers and Northumberland, who have a smaller number of facilities but spread over a similar geographic scale, which are managed by a local trust.
- 99 The various pressures affecting the world have been felt quite acutely within local government and in the leisure sector, whether this is in labour costs, the cost and supply of essential items like pool water treatment chemicals or the cost of utilities or in terms of leisure centre usage and income levels due to the squeeze on household incomes. Regardless of delivery model, no leisure operator has been immune from the challenges and sadly within the region there have been leisure centre closures and investments paused due to the unprecedented financial pressures and in recognition that these services are discretionary.
- 100 It is against this backdrop that the council's commitment to investing such significant capital sums in its facilities for the benefit of its residents can be viewed as exceptional.

Net Zero

- 101 The council declared a Climate Emergency in 2019 and has adopted a target to be Net Zero in its operations by 2030. The route to Net Zero

is set out in the council's Climate Emergency Response Plan, the third edition of which was adopted in July 2024.

- 102 Leisure centres, particularly those with swimming pools, are high consumers of energy and are therefore crucial buildings to consider on the road to net zero. Without significant decarbonisation across the leisure portfolio the council will not meet its Net Zero ambitions. Nine of the top twenty most carbon emitting buildings in the council's ownership are leisure centres, with seven in the top ten.
- 103 Significant progress has already been made over recent years however, with solar PV and LED lighting installed across the estate through invest-to-save funding, much of which has already paid back. Solar PV installed in 2021 paid back in just two years. Heat decarbonisation is more challenging but is supported by the governments Public Sector Decarbonisation Scheme (PSDS), which has enabled upgrades to building services, plant, and equipment at a number of leisure centres. The outcome of this investment has been a reduced requirement for fossil fuels, increased energy efficiency and the generation from on-site renewables.
- 104 There remains a significant requirement for further decarbonisation across all these sites. Work is ongoing at Newton Aycliffe investigating further decarbonisation works, with the Louisa Centre going into detailed design on a project designed to utilise waste heat from a third party at the centre, whilst further solar PV, including solar car ports are being planned across a number of sites including, Peterlee Leisure Centre, Consett, Leisure Centre and the Louisa Centre. A further PSDS application will be submitted for Freemans Quay when the new round opens in October 2024.
- 105 A summary of PSDS and other carbon reduction projects from 2021/22 – 2024/25 is below:

Centre	Scheme	Total investment (includes any grant element)	Description	Year Delivered
Abbey Leisure Centre	PSDS	£799,029	ASHP, LED lighting, Solar PV, BMS	2021/22
Teesdale Leisure Centre	PSDS	£1,659,069	ASHP, LED lighting, Solar PV, BMS	2022/24
Peterlee Leisure Centre	PSDS	£2,673,268	ASHP, LED lighting, Solar PV, BMS	2022/23

Centre	Scheme	Total investment (includes any grant element)	Description	Year Delivered
Newton Aycliffe Leisure Centre (phase 1)	PSDS	£1,924,676	ASHP, LED lighting, Solar PV, BMS	2022/23
Wolsingham Leisure Centre	PSDS	£128,602	Project withdrawn following issues with power supply and grant deadline	2022/23
Consett Leisure Centre	Invest to Save	£64,669	LED lighting - Further larger scheme approved for 24/25	2022/23
Consett Leisure Centre	Invest to Save	£6,328	Pipework lagging	2022/23
Freemans Quay Leisure Centre	Invest to Save	£36,080	Light controls, BMS,	2022/23
Freeman's Quay Leisure Centre	Invest to Save	£80,078	Solar PV	2021/22
Louisa Leisure Centre	Invest to Save	£68,371	Solar PV	2022/23
Spennymoor Leisure Centre	Invest to Save	£64,569	Solar PV	2022/23

Strategic Leisure Demand and Provision Assessment

106 As pressures following the Covid-19 pandemic began to ease, it was important that the council reflected on the strategic basis for the leisure transformation programme, to ensure that in response to the changed landscape within the leisure sector and emerging changes in people's behaviours, that we were still proposing the right developments. In 2023 work was undertaken to revisit the strategic case on which the programme was based, this work was important for two reasons, (i) it reaffirmed the strategic rationale for the programme and the council's commitment to health, wellbeing, and recovery. (ii) In light of emerging

financial pressures, it ensured the projects being delivered were those that would meet the strategic priorities of the council, achieve the outcomes of the leisure transformation programme, and be affordable within the confines of a challenging financial outlook.

- 107 To support decision making, a number of factors have been considered which ensure that any schemes which are approved achieve the required outcomes in an affordable way.
- 108 To identify the various factors involved and working with Sport England, a Strategic Outcomes Planning Model (SOPM) report was completed by sector specialist consultants Max Associates. The report brings together all major and relevant bodies of evidence to understand and prioritise both service and facilities interventions that will have the most positive impact and support the council's Vision for 2035. The report follows Sport England's Strategic Outcomes Planning Guidance, an approach that identifies how local outcomes can be delivered through a range of interventions, both facility and service, and done so in a sustainable way.
- 109 An SOPM report includes the Strategic Outcomes, various sources of Insight and helps to shape recommendations for service and facility interventions that align with strategic objectives. The report is heavily influenced by stakeholder inputs; such as those from residents through consultation and also those of strategic partners such as Sport England.
- 110 In addition to the SOPM, Max Associates were also commissioned to revisit an Indoor Built Leisure Facilities Strategy (BFS). Much like the County Playing Pitch Strategy, which was adopted by Cabinet in November 2021, the BFS considers the current indoor leisure facilities alongside the present and future demand for core leisure provision such as swimming pools and sports halls.
- 111 Taken collectively the SOPM and BFS provide the necessary framework to consider the future needs of leisure in Durham and make recommendations on the best way to achieve strategic outcomes.
- 112 The following information provides an overview of the findings from both the SOPM and BFS and identifies where specific findings either support or do not support progression of transformation projects. Appendix 2 provides a high level and visual representation of the findings and sets out where each facility has or has not got a case for transformation and investment.

Strategic Insight

- 113 At a national level, Sport England’s “Uniting the Movement Strategy 2021-2031” and key health focussed strategies and reports from the British Medical Association and Public Health England place physical activity, health, and wellbeing at the heart of improving living standards and connecting communities.
- 114 Health is playing a much more central role within the context of wellbeing, sport, and leisure. According to research undertaken in 2020 by the Sport Industry Research Centre at Sheffield Hallam University, for every £1 spent on community sport and physical activity nearly £4 is generated for England’s economy and society. It is estimated that per year through people being more physically active we can prevent approximately 900,000 cases of type 2 diabetes and 93,000 cases of dementia in the UK. This would be a combined saving of £7.1 billion to the UK economy.
- 115 Using this modelling, it could reasonably be estimated that across County Durham £56 million annually could be saved across the local economy in County Durham if people were more physically active. It could also prevent approximately 7,150 cases of type 2 diabetes and 742 cases of dementia.
- 116 For context, active lifestyles are credited with 30 million fewer GP visits and 375,000 fewer people being diagnosed with depression every year across the UK, which together would cost the NHS over £0.5 billion.
- 117 Moving Together, the County Durham Physical Activity Strategy 2023-28 sets out a social movement to get people moving and Wellbeing, Sport and Leisure is intrinsically linked to this. This strategy aims to address inequalities, and to develop effective and sustainable solutions to increase physical activity levels in County Durham and the council has a huge part to play by providing local services and supporting local communities to get involved.
- 118 Pulling on this national change in emphasis, more locally, the council’s Vision for 2035, and the Joint Health and Wellbeing Strategy 2020-25 place an emphasis on health and wellbeing. It is clear the areas that leisure transformation can contribute to the health and wellbeing of residents and which leisure projects best align with those intentions.

Health, Deprivation and Accessibility

- 119 There is a well-documented link between levels of health and levels of deprivation and national data shows a strong link between health deprivation and inactivity.

- 120 For context, 33% of residents in County Durham live in the top 20% most deprived areas in England. Similarly, almost 39% of adults in the county are classed as inactive and 51% of children and young people are failing to meet the Chief Medical Officer guidelines for activity. This compares to 36% of adults considered to be inactive across England and 47% of children and young people failing to meet the Chief Medical Officer guidelines for activity across England.
- 121 Durham also has a higher level of obesity and lower life expectancy compared to the national average with high levels of social deprivation that are acutely affecting movement and activity. Those in the most deprived areas are much more likely to be inactive and for those who are active, the levels amongst those deprived groups are considerably lower than the County Durham average. The council's leisure facilities provide opportunities for physical activity in and around the area's most at-risk wards and the new offer will support families, children and those new to exercise.
- 122 As supported by the strategic insight work, the council's leisure facilities will be balanced with wider community programmes, delivered by the council and other providers, and other community venues. Across the county the service provides 82% of residents with access to a community based programmed activity, which is accessible within a 20-minute walking radius.
- 123 Many barriers contribute to inactivity levels, two key areas which are consistently reported are affordability and accessibility in terms of transport. The Leisure Transformation Programme seeks to address concerns regarding affordability with targeted concessionary arrangements, partner funding, and targeted programming and promotions.
- 124 Transport accessibility is a wider challenge, but the SOPM and BFS reports both indicate that despite the levels of deprivation and the relative rurality of County Durham, most residents have access to a facility within a 10-minute drive time. Therefore, ease of access to leisure venues or other opportunities for physical activity is a key consideration for investment in order to maximise the derivable benefit.
- 125 Access to a car could be prohibitive in some parts of County Durham, particularly in the northwest of the county, however, the data suggests that despite the levels of deprivation, access to a car is only slightly below the national average and in fact, levels of access to two or more vehicles in Durham are close to the national average. Therefore, in broad terms, County Durham has access to leisure facilities, based on a reasonable drive time, no worse than the national average for local authorities.

- 126 Those areas of deprivation in County Durham which fall into the top 10% of most deprived areas in England, all fall well within a reasonable drive time distance of a council leisure facility. In the main areas of deprivation where access to a vehicle is likely to be more restricted, these locations tend to be centred around the more densely populated parts of Durham where walking, cycling and public transport infrastructure is likely better than more outlying rural areas. There are, however, exceptions within the East Durham Rural Corridor and in part within North West Durham.
- 127 When considering the link between health, deprivation and access to leisure facilities and services, it's clear that the improvements to current facilities and the introduction of new activities and services as part of the transformation projects proposed for Bishop Auckland, Stanley and Peterlee will have some of the greatest and most positive impact.

Demand analysis

- 128 There are two main ways to consider demand for leisure centres; the first is based on the demographic profiles of customer catchments and the second is focussed on a planning-based methodology.
- 129 In planning terms, leisure facilities and sport and recreation spaces are part of the National Planning Policy Framework (NPPF), and as a statutory consultee on all planning applications affecting sport and leisure assets, Sport England will consider whether new and existing development plans meet with current and potentially future demand.
- 130 The NPPF was revised in July 2021 and has an increased emphasis on health and wellbeing.
- 131 The Indoor leisure-built facility strategy for Durham which was refreshed following the pandemic in 2022 considers three main bodies of evidence; Consultation with National Sports Governing Bodies, Consultation with Sports Clubs (126 clubs took part in online surveys) and Sport England Facility Plan Modelling which was developed with Edinburgh University and has been the established method of facility analysis since 2018. The computer-based modelling considers a range of metrics; facility planning which is based on the facilities in a particular area or location and the sports facility calculator which is a quantitative estimate of future need based upon future development and population change.
- 132 The modelling considers the core sports facility offerings on which Sport England hold significant data; namely Sports Halls and Swimming pools.

Sports Halls

- 133 Durham has 4.7 courts of sports hall provision per 10,000 of population (inclusive of all community accessible courts across Durham). The Northeast regional average is 5.1 courts per 10,000, whereas the England average is 4.2 courts per 10,000. Considering all metrics for retained, met, exported and un-met demand, the county has an overall supply which exceeds the county demand by 41 courts.
- 134 More than half of the court capacity across the county at peak times comes from educational/academic sites, this presents a risk where education sites can make their own commercial decisions which could result in community access to sports facilities being withdrawn or charged at rates which excludes certain members of the community. Secondly, the condition of sports halls overall, especially those operated by the local authority is deteriorating with the average age now in excess of 35 years.

Swimming Pools

- 135 The total demand across Durham for water space equates to 5,463m², whereas existing supply achieves 4,785m² of water space. Therefore, there is a theoretical under-supply of pool provision of around 678m². However, to justify further swimming pool provision, unmet demand for water space needs to be clustered together, whereas the unmet demand across Durham is not and comes mainly from 3 areas.
- a) An area west of Wolsingham, with an unmet demand of around 30-40m² of water space or just under the equivalent of 1 lane, based on a standard 25 metre pool.
 - b) Seaham, with around 150-200m² of unmet demand, of between 3-4 lanes of equivalent provision based on a standard 25 metre pool.
 - c) North of Chester-Le-Street, with a similar unmet demand of around 150-200ms of water space.
- 136 The council's leisure centre pools are also relied upon heavily for school swimming provision.

Proximity

- 137 Many of the facilities across Durham are in relatively close proximity to one another, a legacy from when the area was separated into seven former district councils. This has resulted in some grouping of the Durham County Council (DCC) operated leisure centres, in many cases DCC facilities are also in close proximity to other providers, such as schools where community use is available.

- 138 The reach of the current leisure provision has a degree of overlap both in and outside the county. This is especially true in Durham City.
- 139 The Built Facility Strategy, having considered a range of factors does make a set of recommendations regarding approaches that could be taken to support current and plan for future demand. These approaches have supported the direction of the transformation programme in regenerating sites like Abbey, helped with understanding the needs for replacement of facilities, as proposed for Bishop Auckland, and has also identified facilities where local challenges make their continued operation challenging such as in the case of Meadowfield and aspects of the provision in Shildon.
- 140 Given the local site-specific factors which are prevalent, the strategy does note that for the sites at Wolsingham and Shildon, careful consideration will be needed to ensure the right offer is in place for these localities.

Demographics and customer profiles

- 141 Beyond the planning metrics for calculating demand, it is also possible to use MOSAIC Segmentation Profiling to gauge whether the current catchment for leisure venues is aligned with the facility mix provided MOSAIC is a consumer classification system that divides people into groups based on their income, lifestyle, and social status.
- 142 Profiling suggests that women are generally over-represented with more than 53% of users being female, men are conversely under-represented and in particular those of the age of 45+ could be attracted with programmes aimed specifically for this market. This metric is flipped in terms of gym use however where more than half of users are male, with females slightly less well represented.
- 143 The leisure centres are generally well positioned with the majority of areas in the 20% of most deprived communities within a 20-minute drive time catchment.
- 144 There are large pockets of groups that represent good opportunities for leisure and family activities, as long as such services are accessible and are price sensitive. And in some cases, is also the opportunity to introduce activities at a relative premium as these people tend to be prepared to pay for good facilities.
- 145 Prior to the pandemic, the leisure venues attracted almost 3.7 million visitors per year, for the last full year the visitor outturn was just over 3.2 million visitors, a 12.1% decline overall, despite some sites attracting an increase in visitors. Some of the changes are due to closures and disruption due to ongoing leisure transformation projects,

some are due to changes in the way visitor information is collected, but in some cases, such as with sites like Shildon, Meadowfield, Wolsingham & to some degree Chester-Le-Street the sites have simply struggled to recover and attract visitors.

- 146 At present the leisure centres have more than 25,000 members across our gyms, swimming pools and swimming lesson programme. Based on catchment profiles and suitability of customer demographics matched against facility type offer, it is estimated that there could be a level of latent demand, for fitness activities in particular of well over 4,500 additional members. In light of the health benefits associated with exercise, and publicity of the resilience that physical activity can bring, especially in response to the pandemic, the propensity for sport, wellbeing and physical activity has never been higher.
- 147 Whilst the planning information from the built facility strategy would suggest that the leisure centres provide a positive and equal spread to most communities across Durham, it is important to note the relative over-supply of traditional sports courts. Also, despite pockets of isolated demand for water space, no one area has sufficient clusters of demand to fully justify the creation of significant swimming pool facilities in pure planning terms.
- 148 A focus on fitness, health, wellbeing, and activities for families comes through strongly in consumer engagement and catchment analysis supports this. So, proposals at sites which diversify the offer, promote family and children's activities and where fitness latent demand is strong will provide best for their local and wider catchment areas.
- 149 From a demand point of view therefore, all of the sites currently provide for their core leisure offer catchment, however projects at Abbey, Spennymoor, Louisa and Peterlee diversify and draw on a wider and more beneficial catchment of the population due to their focus on health and family/children's activities. Loss of sports hall space will be easily accommodated by the wider council estate as well as mitigated by the array of provision available provided by others, including schools.
- 150 Although demand for new built pool space may be limited now, ensuring the ongoing sustainability of existing swimming provision, especially for school swimming delivery is a key consideration. Alongside the population growth and expectation for ongoing investment from Sport England, new build pools or significant investment in swimming will be required between now and 2035 to keep pace with anticipated growth in demand.

Colocation

- 151 The principles of facility rationalisation and colocation, as well as creating a mixed economy of provision are ones that Sport England strongly support. Durham has already collocated three libraries successfully (Newton Aycliffe, Peterlee and Louisa Centre, Stanley) and a fourth at Spennymoor was recently completed.
- 152 Given the success of prior colocations and the strategic support of bodies like Sport England when assessing the benefits of aligning services for the community, the proposals for Bishop Auckland to collocate the library were very well supported through community consultation.
- 153 Colocation is also likely to generate operational and financial efficiencies whilst still maintain and, in many cases, improving provision for communities. This is particularly evident for the Bishop Auckland project, Whilst the leisure centre will help to tackle the various health inequalities, by locating the library within the same building, the whole prospect of creating a community hub will support improvement in other areas such as employment, education, and skills.
- 154 However, proposals for library co-location in Chester le Street were firmly rejected in the consultation process. The current library in a convenient high street location is popular and well-used and co-location will not be taken forward.
- 155 Given the various influencing factors including strategic, health, demand, and a range of other metrics the council has proceeded to date with several projects which best meet the strategic brief of the programme and deliver the most anticipated benefits. In line with the previously agreed delegated authority and approved budget provision, projects at Abbey, Peterlee, Spennymoor, Louisa Centre and Teesdale have all progressed and are either complete or partially complete in the delivery phase.
- 156 Taking account of the various strategic factors noted, the council has also proceeded with plans for the replacement of the leisure centre at Woodhouse Close, Bishop Auckland.
- 157 The leisure programme has always needed to be agile and responsive to a range of factors which dictate the pace of progress. Factors such as site survey findings, design work, material availability, procurement route and availability of contractors have had to be taken into consideration when scheduling project delivery. These external factors have also had to be balanced against internal pressures for the council

such as general affordability and the challenges presented by the previously noted VAT restrictions.

- 158 As noted in the September 2021 Cabinet report, projects would all be subject to a leisure conversation - (a focussed period of consultation and engagement activities) as and when proposals progressed to a sufficiently developed stage, where meaningful details could be shared with stakeholders. Therefore, the phasing of the projects has had to be responsive to all of the above influences, leading to the project phasing we have seen to date.
- 159 Appendix 3 provides a high-level overview of the programme for the current committed projects, with a summary of each scheme provided below.

Delivery Update

Abbey Leisure Centre

- 160 The transformed venue at Abbey Sports Centre was complete and opened during the summer period 2023 following a significant refurbishment and transformation. The project successfully delivered a modernised and refurbished fitness suite, an extensive new play and adventure space, a healthy food and beverage offer, and a brand-new power assisted exercise suite ("the Move Hub").
- 161 The Move Hub provides a complete exercise workout to adults who are new to exercise, those with specialist conditions and disabilities and older adults to support mobility and falls prevention. As of July 2024, there were 239 members, which is above target. Member numbers only tell half a story, whilst take up of the new facility has been good, the impact it has had has been extraordinary. We have a number of case studies and examples where members have benefitted from truly transformative and life changing benefits.
- 162 Many members have indicated their participation has helped them manage various illnesses and life-limiting conditions to achieve improvements in mobility, general health and achieve independence they have not had in years. This all set against the backdrop of a community and social activity which is not just benefitting users physically but also mentally, contributing positively to their overall wellbeing. This one intervention is a prime example of where the planned outputs of the leisure transformation programme as supporting wider council ambitions such as enabling residents to live longer, happier more independent lives.
- 163 The new fitness offer has been a tremendous success, reflecting to pre-transformation the gym peaked at 826 members during 2019-20,

however the following the refurbishment there are now more than 1300 members, this being despite the growth of competition both generally and within the immediate vicinity. The investment has also had a dramatic effect on our group exercise programme. The site previously operated with a minimal range and volume of classes, peaking at only 23 classes per week. This was a regular frustration and limitation for members who were unable to access classes and therefore limited opportunities for physical activity. Thanks to the refurbishments and inclusion of digital technology, the centre now boasts 117 exercise classes every week, with a blend of different class types spread between both instructor led and virtual.

- 164 The play area “Abbey Adventure” has opened up a whole new visitor market for the leisure centre. The centre is now a much more holistic centre for the community, still providing traditional sport and exercise, but now contributing by enabling families and in particular young people to participate in a way that was simply not possible with the original facility mix at Abbey.
- 165 Thrive kitchen, which is contracted to an external catering provider to deliver in tandem with our leisure centre team, offers affordable healthy meals and snacks to families and is a pilot in the Out of Home Task Group to ‘normalise’ healthy food consumption. This will include a Healthy Food Award accreditation and an ethos around the menu offer that will be carried forward across all transformation catering facilities.

Peterlee Leisure Centre

- 166 The project at Peterlee is being delivered in two main phases, in order to minimise disruption to customers as much as possible whilst still enabling the works to take place in the most efficient way. Initially the new fitness suite was created, and this area subsequently opened in the mid-summer period 2023. Following the completion of the gym and transition into the new space, the work to the soft play, bowling and group exercise spaces proceeded. The whole project was completed and opened in the early Autumn period 2023.
- 167 The project at Peterlee also benefitted from additional DCC investment and external funding to improve the environmental sustainability of the venue and to support the decarbonisation of the leisure centre heating systems. Improvements included replacing gas boilers with air source heat pumps, high efficiency LED lighting throughout, water saving devices and the installation of solar panels to produce a proportion of our own electricity. These measures will help the leisure centre to be more sustainable and reduce carbon dioxide usage by 300 tonnes a year.

- 168 As part of upgrades to key plant and services, the pool plant filtration systems were replaced with modern and upgraded water filtration systems. Unfortunately, during the works to the pool plant, it was discovered that the pool water distribution pipework was in much worse condition than originally anticipated and needed to be replaced. The total costs of this additional unanticipated work are £0.5 million and this is being funded from the capitalised maintenance budget. The pool did have to remain closed to enable the investigative and preparatory works and ultimately for the installation of the new water distribution pipework. The pool re-opened in Spring 2024, following this, the future resilience of the pool plant systems is much improved.
- 169 The first month of opening was extremely positive with 2,662 visits to soft play and over 400 visits to 10 pin bowling in the first weeks of operation. This positive trend has continued with the soft play well used, animating the old sports halls space within the leisure centre which was previously very underutilised with a hub of activity for families and children. Whilst the soft play has maintained a steady level of business, the bowling has proved challenging and has so far struggled to reach the levels of income originally forecast. Weekends have proved popular but attracting usage during weekdays outside school holiday periods has been more difficult. The pool re-opening in the Spring period was a significant boost for the site which helped promote membership sales and re-introduce the learn to swim programme. At the time of this report, the swimming programme has broadly returned to its pre-closure levels with 371 learners and the fitness suite has seen very positive membership growth with almost 1700 members, an increase of more than 300 members from the spring period to date, which proves the additional value that swimming brings to the overall membership package.

Spennymoor Leisure Centre

- 170 The plans for Spennymoor also focussed on minimising disruption to customers as much as possible and involves two main phases of work. The first phase, which was completed in the late summer 2023, incorporated the co-location of the library within the leisure centre and the relocation of the main entrance and reception into the centre of the venue, closer to the high street and therefore more accessible for customers.
- 171 The colocation of the library has already been very successful and very well received by local residents, when comparing the initial 3 months of opening with the same period last year the library has had more than 1100 more book issues, 187 additional joiners and almost 800 more visitors. This positive trend of performance has been seen in

all collocated leisure/library venues and has continued since initial opening.

- 172 The second phase of transformation plans focus on the installation of a new soft play, café, and enhancements to the leisure pool with works commencing in September 2023. Phase two will continue through until autumn 2024.

Louisa Centre

- 173 The Louisa Centre project commenced in October 2023 and is due to be completed through the summer and into the early autumn period 2024. The plans for the site involve significant backlog maintenance works, considerable expansion of the soft play offer, the addition of an adventure zone encompassing Clip and Climb and the largest Tag Active area in the region.
- 174 The site will also benefit from a consolidated and improved fitness, health and wellbeing hub bringing all of the group exercise offer into new, modern, and technologically equipped spaces alongside another assisted exercise suite, similar to the facilities provided at Abbey Leisure Centre, which will collectively provide a broad range and inclusive physical and mental wellbeing offer.

Teesdale Leisure Centre

- 175 Teesdale is another site to benefit from additional council and external funding, with work already underway to improve the environmental sustainability and to reduce the carbon emissions of the building.
- 176 Running alongside these infrastructure improvements the refurbishment scheme began in February 2024 with improvements planned throughout the venue, including new pool changing, new reception and enhancement to the leisure offer through enhancements to the health and fitness and children's play offers.

Leisure Centre Performance

- 177 Although the regeneration and transformation of the facilities has been undoubtedly positive, engaging new users, expanding the reach of our facilities, and creating hubs of activity within our communities; it was predicated on both health and wellbeing benefits and commercial returns. Although the health and wellbeing benefits are being realised the commercial returns were necessary to support the capital borrowing and ultimately finance a large proportion of the overall expenditure.

- 178 Prior to 2020 as part of the early development of the leisure transformation project, work was undertaken to gauge the most impactful and commercial interventions which could be implemented across the leisure estate. The council procured the services of sector specific consultants in order to develop our understanding of the opportunities available and the trends being seen across the national leisure and recreation sector. This work involved significant research, modelling, and assessment to derive the likely impact the transformation proposals would have on the net operating costs of each venue. Income projections were set out using demographic profiling to establish a likely market within a suitable drive time radius for the facility proposals, some, like bowling, were anticipated to have a broader reach than general fitness and play innovations. The projected market was then set out against a range of assumptions, driven by market intelligence which looked at number of users, price and an assumed level of repeat business each year.
- 179 The Covid-19 pandemic and its legacy still affect the leisure market today, and whilst there are recent signs of a broader recovery, peoples habits remain affected in a way which could not have foreseen. International events as well as domestic challenges such as war in Ukraine, inflation, energy prices and general cost of living pressures have culminated within the last few years to create a very challenging environment.
- 180 The original assumption in January 2020 was that the Leisure Transformation Programme could cost £62.8 million, and that £38 million of this could be financed on a self-financing basis, based upon the anticipated net operating cost improvement because of the facility transformations. This forecast has had to be revised over time as the wider financial landscape continued to change. By March 2021 the costs had escalated to £78.2 million. From early 2023 forecasts had to be revised suggesting that only £18 million of the capital investment could be funded on a self-financing basis from an anticipated £0.810 million of net additional annual income. This assumption was agreed as an achievable income target as part of the financial assumptions used to fund the original Leisure Transformation projections on costs and income generation, which were modelled by consultants.
- 181 In the last 12 months, as projects have completed and become operational it has become clear that many of the assumptions on which the projected net additional revenue were based have been impacted by the external factors noted above. Levels of forecast usage and repeat visits have been lower than anticipated and operational costs have been greater than forecast. Taken collectively expenditure has been higher and income has been lower than anticipated, which

significantly threatens the ability to achieve the original assumptions on which the programme financing was based.

- 182 In response to the external factors noted above and as a direct result of updated costs materialising significantly higher than those built into the original consultant costings, the original modelled assumptions were updated during budget build for 2024/25. Work was carried out to create realistic budgets for the transformation sites, considerate of the change in current market factors and using the original consultant costings as a starting point.
- 183 A review of the original costings for Peterlee identified concerns around the site's ability to achieve the income targets set by initial assumptions. At this point, it would have been unrealistic to further increase Peterlee's income targets in response to higher costs and this has resulted in a £0.161 million shortfall within the revenue budget which will need to be resolved through further efficiency savings.
- 184 Early analysis of the revenue operating model for the completed sites has indicated shortfalls against income budgets when compared to original projections put forward by the consultants (of which the self-financing requirements were assumed) and updated budgets in response to material increases to costs discovered during the 2024/25 budget build.
- 185 The modelled self-financing assumptions have since been updated to reflect the current revenue position, upon completion of the first two sites at Abbey and Peterlee Leisure Centres. This has resulted in a requirement to increase income by £0.337 million from 2024/25 at these two sites as part of the wider £0.810 million of additional income required to fund self-financing of the whole programme. Similarly, when two larger sites complete this year- Louisa and Spennymoor Leisure Centres - these two sites will have their income targets increased by £0.256 million for 2025/26. Further self-financing income targets will be applied to Bishop Auckland from 2026/27.
- 186 The quarter 1 2024-25 outturn shows shortfalls against the Leisure Transformation income budgets for the completed sites. There is a £0.436 million net underachievement of income anticipated for the completed Leisure Transformation programme sites in 2024-25, as a result of lower than anticipated uptake on transformation activities at the newly transformed sites.
- 187 To mitigate the budget shortfall and maximise income opportunities, the strategic marketing plan for the transformation sites is currently under review following the evaluation of the activities and products that have gone live so far. Going forward this will ensure that the

marketing mix is effective to drive income, including pricing, promotions, and the effectiveness of the customer journey from the enquiry stage, to maximising our repeat business. There is also a new integrated marketing and site-specific marketing plan for each transformation site to support the central marketing campaigns. This will be monitored and reviewed on an ongoing basis.

- 188 The council will also review site operating models with regards to the programme, pricing and opening hours, to look at the potential to maximise revenue and to potentially reduce staffing numbers and facility expenditure.
- 189 The costs of catering are a contributory factor to the rising costs of leisure provision, and recent overspends in the revenue budget. Thrive kitchen was introduced to maximise secondary income, offering affordable, healthy food and snacks to encourage customers to extend their stay. Through the usual recruitment channels the council were unable to recruit into catering roles and sufficient resource would not have been available to manage the catering outlets.
- 190 Therefore, a specialist contractor was procured to supervise, staff, and provide the food and beverage offer for thrive kitchen cafes until March 2026. This will allow an 18-month period to undertake a catering review, and the procurement process and soft marketing testing will begin in September 2024. This review will have an impact on the current budgets and offers an opportunity to seek to reduce the cost overspends in relation to catering.
- 191 Due to the challenges presented by the net cost of the current catering model, when compared back to the originally assumed in-house model of operation, it may be necessary to review or scale back the service in order to reduce costs. Any such changes will be borne out by the noted catering review process over the coming months.

Bishop Auckland Leisure Centre

- 192 The Bishop Auckland new build project received planning approval in November 2023 and work then progressed to conclude the technical and final design development for the project.
- 193 Initial costings were received in early 2024 which demonstrated some challenges on affordability, as can be seen nationally and indeed locally with other projects around our own region being paused or withdrawn, the construction sector remains somewhat volatile and exposed to a range of external pressures. However, work has taken place to refine the design and identify areas for value engineering which would not be consequential to the scheme or the facilities for

residents. This work recently concluded and resulted in an affordable scheme which can now be carried forward into contract and delivery. Subject to final contracting and legal requirements the project can progress towards the delivery phase within the autumn period.

- 194 The plans for the new centre have been carefully weighed against the need to preserve existing facilities during the construction period and have therefore been planned across a number of stages to minimise disruption and maintain access to the existing leisure centre.
- 195 It is anticipated that the new venue will have substantial social, health and wellbeing benefits for the immediate and local area. Investment within one of the most deprived wards in the county will support the ongoing regeneration of Bishop Auckland, but also ensure that investment is targeted in an area with significant need. The wide-ranging benefit and impact, both locally and to the wider area is a major part of why the council has been successful in applying for investment of £2.5 million from Sport England Strategic Facilities Fund, pending completion of final funding agreement.
- 196 More practically, the current building is more than 50 years old, with a significant maintenance backlog and a very real possibility of service disruption and failure, therefore replacement was the only viable consideration at this point in the building's lifecycle. Finally due to the factors outlined the project alignment with the strategic priorities of various external funding bodies made it a prime opportunity to maximise the potential for external investment.
- 197 Building on the wellbeing, health and regeneration within Bishop Auckland, the project has also been selected as a Community Wealth Building site. Community Wealth Building is a people-centred approach to local economic development, which redirects wealth back into the local economy and ensures a project considers what opportunities there are to ensure real beneficial outcomes for a local area. This can involve creating fair local jobs, purchasing local goods and services, and encouraging socially productive use of land and property, and with a strong focus on developing partnerships with communities to build community resilience. Much of this approach is already embedded into standard ways of working for the council in terms of procurement, local spend and engagement with local stakeholders and therefore much of this best practice has been and will be carried through into other projects / additional projects. The Bishop Auckland project has been chosen to further pilot the community wealth building concept, following a successful project in Consett.

- 198 The Bishop Auckland project has benefited from significant local engagement to develop the overall plans for the site and the council will ensure that a significant social return on investment as well as local spend and local labour market employment are key outcomes of delivery.

Building Condition – Necessary Capitalised Maintenance Works

- 199 The council manages a capitalised maintenance rolling programme of works, defined as capital works carried out to extend the useful life of an asset. Examples being works to the envelope of a building such as re-roofing or window/door replacement; boiler plant and heating distribution replacement; power and lighting replacement such as and major electrical rewire. The programme does not cover costs associated with general repairs and maintenance; new builds or extension alterations; or soft fittings such as furniture and equipment. The capitalised maintenance programme provided match funding to the leisure centre transformation programme where required and deemed applicable in line with condition survey data, compliance test data, emergency needs and legislation.
- 200 As the currently committed projects have progressed a number of condition issues with the core building infrastructure and major components have arisen that have needed to be addressed. These works fall outside of and are in addition to the works envisaged under the leisure transformation project. Once the building fabric has been opened to carry out further and more detailed surveys prior to work progressing, it has been discovered that key items such as plant, wiring and elements such as roofs have been discovered to be in a much worse condition than anticipated. As a result, the council has had to commit £5.391 million of its structural maintenance budget alongside the current leisure transformation work.
- 201 Backlog maintenance and condition works generally do not cover aesthetic improvements or allow for facilities to keep pace with changing industry trends or increasing customer expectations – which is what the leisure transformation programme seeks to address.
- 202 It has been beneficial to carry out these additional condition investments alongside the current transformation plans, as this has delivered a more fundamental and holistic transformation of the sites. Although beneficial, this additional spend has put pressure on existing budgets and has meant that schemes across other council buildings have had to be re-prioritised, with some deferred to make sufficient financial headroom for the ongoing investment in the leisure stock.

203 Although the current investment has addressed many legacy condition issues at some of the sites, there remains a significant backlog maintenance liability across all of the leisure centres. It is forecast that there remains a short to medium term liability of between £10-£15 million pounds of overall building condition and building compliance factors that will still need to be addressed. This backlog of maintenance may need to be addressed within the next five to seven years if all current leisure centres are to be retained in the longer term. Appendix 2 contains a high-level assessment of maintenance and condition per site.

Development Appraisals

Seaham site selection due diligence

- 204 A report to Cabinet in March 2021 set out the details for site selection for new build leisure centres in Seaham, Bishop Auckland, and Chester-Le-Street. The report detailed how an initial 23 sites were considered, assessed, and eventually shortlisted to the nine most viable locations. The nine shortlisted sites were then the subject of an options appraisal factoring in details from five key inter-related evidence bases. This included technical assessment, public engagement, health and equality impact and strategic place-based factors. The five elements of the assessment were designed to provide a balanced view for selecting a preferred site location which could then be recommended to Cabinet.
- 205 In September 2021, Cabinet approved the sites for new build leisure centres in Bishop Auckland and Chester-Le-Street and requested further due diligence on the St John Square and existing Deneside site options, particularly in relation to:
- a) Car parking;
 - b) Planning concerns with regards to massing and stacking; and
 - c) Public utilities.
- 206 Further to the report in September 2021, a significant amount of further work has been undertaken to confirm the viability of the preferred site option for Seaham. From the work undertaken it has been concluded that the most viable location to invest in is on the existing site at Deneside.
- 207 The dual site option at St Johns Square has been discounted due to the displaced car parking requirements, utility risks and the constrained nature of the site which presents excessive risk to a development at this location.

- 208 In terms of car parking, the loss of car parking through the development of the St John's site location would impact on the car parking situation within Seaham. This was a specific issue noted throughout the consultation process. To date the most viable solution would require the council to acquire privately owned land and buildings. Early discussions have taken place with the owner of these buildings however it has not been possible to reach a satisfactory outcome on terms that are agreeable to both parties. Another option available to the council would be to use Compulsory Purchase Order (CPO) Powers. For a CPO to be confirmed, it would be necessary for the council to demonstrate that there is a compelling case in the public interest and that the compelling case outweighs the private interests of the third parties whose land would be acquired. Officers consider that it would be extremely difficult to demonstrate that there is a compelling case in the public interest in this instance. In reaching this conclusion, officers have had regard to the lack of suitable available powers for compulsory acquisition.
- 209 Consultation with the Planning Officer also concluded that the St Johns Square proposal is unlikely to secure planning approval due to the physically constrained site bounded by other buildings, businesses, and residential properties on all sides. Pre-application planning advice received in relation to the massing of a new leisure centre, its required height, proximity, and impact on the surrounding properties, together with the car parking concerns, effectively make this location unviable.
- 210 The design developed through RIBA Stage 1 and the size of the building presents a massing issue with the edge of the proposed building close to residential properties. Planning Officers have reviewed the updated Stage 1 layout site plan. Following further information received from the design team and further discussion with the planners there are concerns that the indicated 10 metre height for the buildings would be too oppressive for the property's opposite on Shelley Street. It would, therefore, need some articulation/modulation of the building to address that relationship as well as the inclusion of features in the elevations to provide some detailed/active frontage.
- 211 In order to progress further, design development was required. This involved production of 3D models and consideration of building materials. To alleviate planners concerns the size of the building would need to be reduced which would impact on what facilities which could be provided and presents excessive risk should the design proceed at this locality.
- 212 The relationship with the adjacent Public House (the Volunteer Arms) was also problematic in terms of the close proximity of the proposed

building and its setting, particularly given it is a non-designated heritage asset and the likely residential use of the upper floors.

- a) **Proximity to residential properties** - There are residential properties located in close proximity to the boundary line where the proposal currently sits. The main elevation which runs in front of the residential properties will be around 40 metres in length and height to the eaves of approximately 5 metres. There is an option to slope the roof of this section of the building, but it will still have a visual impact. Consideration was given to moving the building back from the boundary, however there will only be a minimal impact as there is an area of stepped landscaping behind the existing and the substation is located behind the existing building also. The substation serves various buildings. Relocating this would be disruptive and expensive. There will be challenges to control noise at this site. Air source heat pumps which will likely be located near to the residential properties are noisy. Acoustic will need much consideration. The pool tank, again which would be located along this elevation would need to be serviced and access for vehicles would be along this road.
- b) **Proximity to non-designated heritage asset** - As well as the residential properties previously mentions, the new development will have a significant impact on the Volunteers Arms Public House. Where the new building is single storey, it will be approximately 5 metres high. This increases to a height of 10 metres on the front elevation of the Public House. There is little distance between both buildings and the Public House. Whilst the designer has attempted to create a street scene though the buildings with café etc with glazing, the Public House will be dwarfed. There is no resolution to this. The proposed development is highly unlikely to receive planning permission on the grounds of the non-designated heritage asset and proximity to residential properties presenting excessive risk. The planners also indicated no concerns should we revert back to the existing site.
- c) **Public Utilities** – It was noted that a main public sewer main ran across the site, an electrical sub-station was also present and surface water drainage to the square. A utilities mapping survey has been completed and whilst it will be possible to divert and relocate the sewer and address the surface water drainage on the site, this is likely to result in a higher cost. The electricity cables running from the sub-station provide power to the other buildings around the site and would need to be carefully managed posing excessive risk and cost.

213 Further due diligence undertaken on the existing Deneside site revealed no significant issues.

Shildon Sunnydale Leisure Centre, Meadowfield Leisure Centre, and Freemans Quay Leisure Centre

- 214 Facilities in Shildon remain an important part of the overall leisure offer, particularly the outdoor facilities, such as the grass football pitches and the athletics facility which are of significant strategic importance either as part of local strategy or as part of regional / national plans.
- 215 The grass football pitches are of significant importance to the local area and help cover significant demand for playing pitches as part of the County Playing Pitch Strategy. Similarly, the athletics facilities satisfy demand from both the south of wider South Durham area and the southern northeast region and are of strategic importance to athletics governing bodies in terms of providing access to quality facilities across a reasonable geographic area.
- 216 Given the significant importance of the athletics facilities the council took the opportunity to accelerate leisure transformation funds in 2020 and provided significant match funding investment alongside a successful Sport England grant funding application to renovate the athletics track surface, throwing areas (including a new hammer cage) and a range of new equipment. This investment allowed the track to support expanded use and attract regional level events.
- 217 The demolition of the adjacent school has had to be accounted for in terms of planning and timing and further condition assessment of the remaining leisure facilities has had to be considered as well as the operating arrangements for the site once the school compound is no longer in place. As a result of the demolition to the overall school compound the current synthetic football pitch has become separated and isolated from the rest of the leisure centre, and potentially subject to anti-social behaviour, damage, and could become a nuisance to local residents.
- 218 The artificial pitch was a useful asset to support both education and community participation during its lifespan, however it was poorly located, suffered from heavy wear, and tear due to the adjacency of large mature trees and due to its small size, it limited the programmable use and capacity. The pitch surface has also degraded due to heavy use and would need replacement at significant cost to the council.
- 219 Shildon remains an important hub for the development of football and outdoor sport, therefore £128,506 has been ringfenced from a total £300,000 set aside to support match funding for an external bid for a replacement and relocation of the current 3G pitch facility. This will

support Shildon Football Club towards a circa one-million-pound 3G development which will be required to be open to the wider community. The remainder of the ringfenced funds to be set aside for the demolition and making good of the old pitch.

- 220 Conversations have commenced between the council, Shildon Town Football Club, and the Football Foundation to explore the long-term replacement and improvement of pitch facilities in the town. More work is required to develop plans, but initial site surveys and early engagement around planning conditions have proved positive. The funding bid is intended to progress within the next funding window to spring next year, with the intention of works commencing during the off-season period 2025 and complete prior to the football season commencing autumn 2025. In the interim, the existing football pitch which is no longer fit for purpose will be closed and to ensure no unwanted after affects it will be demolished and the area made good.
- 221 Whilst of less overall strategic importance when compared with the outdoor facilities, the indoor leisure facilities still provide a relatively popular and usable resource to the community. After reviewing the condition of the site, the lower ground floor which used to form part of the shared areas with the school has been noted to be in very poor condition.
- 222 Whilst outdoor facilities at Shildon remain a key strategic priority, usage at the site has declined or struggled to recover following the pandemic.
- 223 In late 2020 Shildon maintained a membership figure in excess of 400 members, however despite ongoing recovery work, the site has struggled to regain its membership base, with only 344 current live members (a 14% reduction). Given its proximity to a large facility in Newton Aycliffe and with the forthcoming development of a new build facility in Bishop Auckland, the sustainability of the indoor facility in Shildon is no longer considered viable for the longer term.
- 224 The Wellbeing, Sport and Leisure team are already actively involved with local community sports participation in the area and adjacent communities and this more localised and targeted work is an area of growth in many communities and in some cases is outstripping the benefits of traditional indoor venues. It can be seen in Appendix 2, that the overall case for investment is limited as far as the indoor facilities in Shildon are concerned and at this stage the £1.6 million of investment originally anticipated as part of the January 2020 and March 2021 reports will not be progressed. This outcome was the result of consideration given to the council's capital programme and overall affordability in early 2023. However, £128,506 has been

ringfenced from a total £300,000 set aside to support match for an external funding bid for replacement and relocation of the current 3G pitch facility.

- 225 For Meadowfield, the current facility provides for the local community, is in reasonably serviceable condition and can continue to meet local needs without the need for significant investment, therefore at this stage the £1.1 million of investment originally anticipated as part of the January 2020 and March 2021 reports will not be progressed and are utilised in the overall programme. This outcome was the result of consideration given to the council's capital programme and overall affordability in early 2023.
- 226 Appendix 2 provides an overview of the factors considered and demonstrates the limited case for investment at this site when compared with others, including proximity to Freemans Quay and Abbey Leisure Centre. This is similar to Shildon in that Meadowfield is impacted by local private sector competition and significant cross over with other council owned leisure venues in the locality.
- 227 Like Shildon, the memberships at Meadowfield have been impacted considerably by the pandemic and have struggled to recover. Prior to the lockdowns, Meadowfield maintained an active membership base well in excess of 1,000 members, however, recovery has been slow, and the impact of private sector provision locally can be clearly seen. Membership numbers at present at the site are 695 members, representing a 30% reduction. Despite marketing and promotion activity, the centre is struggling to see growth in that number.
- 228 Options for the site will be kept under close consideration and will need to consider the longer-term retention of the site, the possibility of community operation, full or partial asset transfer and potentially in the longer term may need to consider the sites overall long-term sustainability.
- 229 Both Shildon and Meadowfield have struggled to recover since the pandemic and across both sites have seen a marked reduction in forecast visitor numbers. Given the factors summarised at Appendix 2, both venues have a very limited case for capital investment and will continue to cost the council significantly to operate year on year, with their collective net subsidy requirement almost £400,000 annually for as long as current operations are maintained.
- 230 Freemans Quay Leisure Centre was not subject to a formal design scheme as previous profit share contractual agreements would have made any scheme unviable. The budget of £633,490 nominally allocated in the 2020 budget forecast has been reduced to nil on

affordability grounds. As one of our newest and most popular centres we will continue to ensure that programmed activity is high quality and relevant to the needs of its users and communities

Riverside

- 231 Initial Proposals for the Riverside reached a well-developed and workable stage and these proposals have been subject to significant community consultation and engagement. The proposals were revised proportionally in response to the views of local people and key stakeholders.
- 232 Whilst being overall workable proposals, the plans have attracted significant concern, particularly from local residents about the impact such developments may have on the local area and how the use by specific sports may limit the availability of facilities for local people.
- 233 A significant proportion of the funding envelope earmarked to the Riverside project was predicated on a self-financing proposition, whereby the uplifted usage and income from the developments would pay for the majority of the capital borrowing. This commercial proposition required the current and expanded use of several organisations and an uplift in wider community participation. To service that increased usage, expanded facilities would have been required to meet the anticipated levels of demand as well as the refurbishment and reorientation of existing sports facilities.
- 234 The north planning area (which represents an area north of Durham City up to the northern boundary of County Durham) is noted within the County Playing Pitch Strategy as having a deficiency in pitches, particularly in relation to artificial pitches which have a greater participation carrying capacity than traditional grass pitches. That is why a large part of the proposed developments centred on the expansion of artificial playing surfaces, adding potentially two further full-size pitches to the site, with appropriate marking to accommodate the full pathway of football use and sufficient specification to serve a multi-sport programme.
- 235 Responses to proposals through consultation to date has created significant divergence of opinion and a challenging environment for bringing forward current or even revised proposals. A significant theme of feedback has been the proposals are too focussed on football, this being primarily the area most likely to generate significant uplifts in revenue and where this is known demand and local area capacity challenges.

- 236 Further compounding the challenging deliverability is the present financial context facing the council, any proposals for the site must work within present funding envelope, which remains constrained and predicated on being largely commercial and self-financing.
- 237 On the balance of feedback, through consultation to date, any project at the Riversides needs to be more holistic, considerate of wider opportunities for physical activity and community engagement, and target investment to derive the most benefit for a broader spectrum of the community. This changes the context considerably from the previously consulted proposals which were largely self-financing.
- 238 Given this change in emphasis, it will be necessary to pause further work on the project and continue to manage the Riverside in its current format for the time-being. The council can then proceed to explore subsequent opportunities with stakeholders to develop the wider site, with such developments predicated upon larger scale funding opportunities becoming available.
- 239 Pausing any further commitment to the previously suggested plans for the site will allow the council and stakeholders to revisit what the best options are to maximise the benefit to the local community and wider county. Future options to take this forward fall broadly into three categories.
- a) **A maintenance option** – whereby the existing site remains as it is in terms of facilities and operations. This option would necessitate some essential investment to preserve existing facilities and services such as the athletics track and current 3G pitch but would need to remain limited given maintenance of the existing facilities would not result in significantly increase participation or income. This option would also continue to cost the council between £200,000 - £300,000 per year in annual net subsidy based on current operations and management arrangements.
 - a) **A partnership option** – where the previous proposals are revisited, and the site could be operated in different ways with a range of partner organisations working alongside the council to manage and operate the venue. Whilst this option may see the annual cost to the council reduce, it is likely there would still be some level of council subsidy required.
 - b) **A longer term, ambitious wide-ranging sport, and activity hub development** - which would be contingent upon commercial opportunity, the wider regional potential in the context of aspirations outlined in the northeast devolution deal and other

external funding to realise. This option would require the development of a masterplan for the Riverside site as a whole, taking in both the aspirations for the leisure facilities, the ambitions of Durham County Cricket Club, other users ambitions such as Chester le Street Rowing Club, women’s football, women’s cricket, the parks and countryside areas and the wider community. A Master planning activity will result in a more holistic understanding of what the longer-term opportunities may be and how best to realise them.

240 Any options considered for the Riverside would need to consider wider outdoor sports facility provision across Chester-Le-Street and specifically considerate of how any plans for the Riverside might impact upon or work alongside the council’s facilities at Roseberry.

241 It is therefore recommended that in the interim a blended approach is taken, whereby overall the site is maintained in an “as is” position alongside development of a sporting master plan. Such an approach will preserve the current facility enabling longer term development opportunities and potential wider external funding routes to be explored. Whilst a master planning exercise can be taken forward, there is no set timetable to enable more comprehensive proposals. Therefore, any priority considerations for the site in the intervening period will have to be assessed by the council on a case by case basis and considered in the context of the longer term aspirations for the site and the locality.

Analysis of Costs and Appraisal for Seaham and Chester Le Street

242 The estimated new build costs of new facilities at Chester le Street and Seaham have risen from an assumed £32 million in 2020, to an estimated combined cost of £52.7 million based on the updated high-level estimates, with a strong likelihood that costs could well be in excess of this.

243 Significant design work has been undertaken across the life of the leisure transformation programme to identify viable options for new builds or regeneration/extension. The table below summarises this work.

	Site	Construction Cost	Cost Confidence	Project Description
	Seaham			
1	New Build	£26,608,000	No formal design work to date and no local site specification	A new facility purpose built to the required specification and community

			consultation under taken	consultation outcomes. .
2	Refurbishment & pool extension	£20,755,397	No formal design work to date	A major refurbishment of the existing building to address condition issues, better utilise spaces and achieve facility mix including the addition of a new pool extension. .
3	Potential Condition stabilisation or essential works (<i>based on use of allocated £10M - Feb 24</i>)	£6,200,000	No formal design work to date.	Condition survey identified backlog maintenance issues prudently inflated to allow for real work costs and minor betterment.
4	Customer focussed renovations plus condition stabilisation	£9,200,000	No formal design work to date.	All building condition works identified in option 3, with the addition of reduced scope options for improvements to customer experience
Chester le Street				
5	New build	£26,608,000	Original design work completed to RIBA Stage 3 in Summer 2022.	A new build facility purpose built to the required specification and community consultation outcomes.
6	Refurbishment & extension	£15,657,790	Design work completed to RIBA Stage 2 September 2023	A major refurbishment of the existing building to address condition issues, better utilise spaces and achieve the required facility mix including a 1 st floor gym extension.
7	Condition stabilisation or essential works (<i>based on use of allocated £10M - Feb 24</i>)	*£3,800,000	Design work completed to RIBA Stage 2 September 2023.	Condition survey identified backlog maintenance issues prudently inflated to allow for real work costs and appropriate betterment.

8	Customer focussed renovations plus condition stabilisation	£8,800,000	No formal design work to date.	All building condition works identified in option 7, with the addition of several reduced scope options for improvements to customer experience
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- 244 In February 2024, as part of council budget setting, £10 million in total was allocated for Seaham and Chester, for building fabric and customer experience improvements. This recognised the prolongation of the new build elements of the programme in light of reduced affordability, and the council’s desire to support an appropriate interim solution.
- 245 Initial condition survey works ahead of identifying customer experience improvements identified backlog maintenance and essential issues such as roof, wiring, building fabric, heating systems etc which would need to be addressed at both sites, with the issues being more acute at Seaham.
- 246 If condition works were to go ahead some customer areas could be improved such as new tiling or paintwork, however this would constitute refreshment of existing and not betterment. This spend would not (or would only minimally) improve customer experience or customer appreciated facilities. There will be some areas where there are visible improvements for customers aesthetically, but the majority would be hidden such as plant and wiring.
- 247 It should be noted however, that without formal and full design work, it is not clear now how far the customer improvements could be delivered over and above addressing backlog maintenance and condition issues. In order to make a reasonable assessment of this, officers used the RIBA stage 2 (September 2023) design for Chester le Street’s refurbishment to isolate and cost essential works, condition improvement and visible customer enhancements such as a new reception and improved changing rooms. The estimated cost of this scheme would be £8.8 million. Inflating for 2024 prices and a start date that would take account of the design period would utilise almost the entirety of the allocated £10 million. Given that Seaham has even greater condition backlog requirements, the allocated capital budget could not achieve the customer improvements across 2 sites that were anticipated in the budget report of February 2024.

248 Therefore, condition stabilisation and essential works only were considered. These costs are estimated; intrusive surveys have not been undertaken at Seaham, and Chester le street costs are based on September 2023 design works. Given the age and condition of both centres the optimum approach is to actively monitor backlog maintenance issues and agree any spend based on prioritisation of urgent repair and maintenance that will ensure the continued operation of the two facilities.

Financial Summary

249 The council approved £39.2 million of capital budgets as part of the development of MTFP(10) and MTFP(11) to support the emerging leisure transformation programme. Since that time the budget available has been enhanced by £4.001 million of prudential borrowing funded in part from forecast annual net revenue generated by the initial schemes approved as part of the Leisure Transformation Programme. By December 2023, this brought the total core capital investment available to £43.2 million - £18 million of which is funded from self-financed capital and £25.2 million of which is funded through council prudential borrowing.

250 In addition to the above, the council is taking the opportunity to carry out a range of outstanding condition issues in leisure centres. In total a forecast sum of £5.391 million will be invested. This investment is alongside a £2.5 million grant from the Sport England Strategic Facilities Fund, pending completion of final funding agreement for the new build scheme at Bishop Auckland and a council £1.273 million capital budget for the co-location of Spennymoor Library into Spennymoor Leisure Centre. This additional investment alongside a revenue and Environment contribution towards the capital investment of £0.456 million brings total capital funding to £52.820 million.

251 £10 million of further investment at Chester-Le-Street and Seaham leisure centres as approved and included in the February MTFP(14) reports to Cabinet and County Council. This brings total capital investment in leisure centres to £62.820 million. The changes to the approved budget position over time can be summarised as follows:

Capital Budget	£'m
Capital Budget Approved in February 2021	39.2
Additional Borrowing for Woodhouse Leisure Centre New Build	4.0
Sport England Grant for Additions at Woodhouse Leisure Centre New Build	2.5

Capital Budget	£'m
Capitalised / Structural Maintenance Borrowing across leisure sites in scope of programme	5.4
Revenue Contribution	0.1
Environment Budget Transfer	0.3
Co-location of Spennymoor Library	1.3
Sub-total	52.8
Ring-fenced Allocations for Chester-Le-Street and Seaham Leisure Centres – February 2024	10.0
Grand Total	62.8

252 The current forecast programme costs to deliver on the original aspiration now far exceed the figures originally proposed in 2020 and updated in 2021, which is a reflection of a number of factors including the extraordinary inflationary pressures and more advanced stage of development and delivery across all sites. The costs of borrowing to fund this extensive programme have also risen due to higher interest rates on borrowing.

253 A table outlining the estimated costs is shown below, with details on a site by site basis set out at Appendix 4. This shows that the council would need to spend circa £109.2 million to deliver the original aspirations of the Leisure Transformation Programme. The current budget includes transfers from capitalised maintenance to address issues across the sites in scope, which has impacted on capitalised maintenance investments across other sites:

Category and facilities	Original January 2020 Capital Estimates (Excluding Capitalised Maintenance Investment) £m	Updated March 2021 Capital Estimates (Excluding Capitalised Maintenance Investment) £m	Latest Forecasts to Meet Original Aspirations (Including Capitalised Maintenance Investment) £m	Current Funded Budget Provision (Including Capitalised Maintenance Investment) £m
New Build / Replacement Facilities	48.000	58.900	79.346	26.645
Regenerated/ Refreshed Facilities	12.820	17.273	26.721	22.971
Develop under partnership	2.000	2.000	3.100	3.100
Unprogrammed / Unallocated	0.000	0.000	0.000	10.104
TOTAL CAPITAL	62.820	78.173	109.167	62.820

Additional Budget Required to Meet Original Aspirations	46.347
Additional Revenue Borrowing Costs to Meet Original Aspirations	2.519

- 254 The current capital budget is £62.820 million and is based on a reduced level of new build and replacement facilities.
- 255 In total it is forecast that £0.810 million of net additional annual revenue will be generated from the improved leisure facilities. This additional revenue will be utilised to finance £18 million of the total capital investment.
- 256 The table below provides details of the latest forecast budget for the leisure transformation programme overall and the overall method of funding the programme.

Site	£m
Bishop Auckland	26.608
Seaham / Chester-Le-Street	10.141
Louisa Centre	6.147
Peterlee	5.966
Spennymoor	5.036
Abbey	4.129
Riverside	3.100
Teesdale	1.693
Total Budget	62.820

Funded By	£m
Core Council Borrowing	35.200
Self-Financed Borrowing	18.000
Structural Maintenance	5.391
Sport England	2.500
Spennymoor Library	1.273
Revenue and Environment Contributions	0.456
Total Funding	62.820

- 257 The MTFP revenue impacts of the core council borrowing to fund the above investment is circa £2.91 million. However, any under-achievement of additional income targets, or indeed unanticipated expenditure pressures will affect the ability to fund the self-financing element of the overall capital borrowing. Such an outcome would create a further budget pressure issue in the form of increased net

capital financing costs. This needs to be considered alongside the estimated capital shortfall to achieve the original aspirations of £46.347 million, which represents the difference between the capital budget set aside of £62.820 million and the costs of delivering the schemes set out in the reports of January 2020 and March 2021. If the council were to complete this overall programme, and assuming these estimates do not increase further, there would be additional unfunded prudential borrowing costs of £2.519 million per annum.

Conclusion

- 258 County Durham's Leisure Transformation is a complex and wide-ranging programme that is delivering substantial benefit for communities at a time when local authority budgets are under unprecedented pressure. While the scope of the project has changed since its original development work in 2018, the council has optimised available budgets through partnership working and pragmatic project management.
- 259 Transformed centres already open are supporting healthier outcomes for users and feedback has been overwhelmingly positive. This is reflected in new membership take-up and through participation levels in new activities and services. Learning from each transformed site is being applied to sites in development, allowing for stronger budget planning and operationalising.

Background papers

[1 Leisure Centre Transformation Part A 002.pdf \(durham.gov.uk\)](#) Cabinet 15 January 2020

[Leisure 2 Cover Transformation.pdf \(durham.gov.uk\)](#) Cabinet 17 March 2021

[Microsoft Word - Leisure Transformation report.docx \(durham.gov.uk\)](#) Cabinet 29 September 2021

[Leisure Cabinet Report - 18 September 24 FINAL.pdf \(durham.gov.uk\)](#)

Other useful documents

Strategic Outcomes Planning Report

Indoor Leisure Built Facilities Strategy

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Appendix 1: Implications

Legal Implications

The council has the power under s19 of the Local Government (Miscellaneous Provisions) Act 1976 to provide, and charge for, such recreational facilities as are outlined within the report.

Finance

A capital budget of £62.820 million is presently in place to fund the leisure transformation programme, which includes the further £10 million of capital investment ringfenced for Chester-Le-Street and Seaham leisure centres approved in February 2024. This investment is mainly funded via prudential borrowing, although forecast additional annual revenue income will be utilised to support a portion of the capital of the borrowing, alongside small amount of external grant funding. Details as follows:

	£m
Core Council Borrowing	35.200
Self-Financed Borrowing	18.000
Structural Maintenance	5.391
Sport England	2.500
Spennymoor Library	1.273
Revenue and Environment Contributions	0.456
Total Funding	62.820

The current forecast programme costs to deliver on the original aspiration now far exceed the figures originally proposed in 2020 and updated in 2021. This is reflective of the extraordinary inflationary pressures and more advanced stage of development and delivery across all sites. The costs of borrowing to fund this extensive programme have also risen due to higher interest rates on borrowing. A table outlining the estimated costs is shown below, with details on a site by site basis set out at Appendix 4. This shows that the council would need to spend circa £109.2 million to deliver the original aspirations of the Leisure Transformation Programme. The current budget includes transfers from capitalised maintenance to address issues across the sites in scope, which has impacted on capitalised maintenance investments across other sites:

Category and facilities	Original January 2020 Capital Estimates (Excluding Capitalised Maintenance Investment) £m	Updated March 2021 Capital Estimates (Excluding Capitalised Maintenance Investment) £m	Latest Forecasts to Meet Original Aspirations (Including Capitalised Maintenance Investment) £m	Current Funded Budget Provision (Including Capitalised Maintenance Investment) £m
New Build / Replacement Facilities	48.000	58.900	79.346	26.645
Refurbished / Refreshed Facilities	12.820	17.273	26.721	22.971
Develop under partnership	2.000	2.000	3.100	3.100
Unprogrammed / Unallocated	0.000	0.000	0.000	10.104
TOTAL CAPITAL	62.820	78.173	109.167	62.820
Additional Budget Required to Meet Original Aspirations			46.347	
Additional Revenue Borrowing Costs to Meet Original Aspirations			2.519	

Consultation and Engagement

Extensive consultation and engagement have taken place across the programme which has provided both site specific as well as more general aspects of feedback from residents and stakeholders.

No further formal consultation activities are proposed on the presently committed projects where consultation has already taken place, however various forms of customer engagement will take place as required to refine and launch the activity programmes in transformed facilities and in future at suitable intervals as programme reviews take place.

The only site where formal consultation is still to take place based on the recommendations within this report is for plans related to Seaham Leisure Centre. Consultation and engagement for Seaham will be planned to take place at the right stage within the programme development when designs are sufficiently progressed to ensure a good level of feedback can be captured.

Equality and Diversity / Public Sector Equality Duty

An equalities impact assessment has been carried out as the programme has developed and has been used to support previous decision making across the currently committed elements of the programme. This assessment will be completed further when design information for each project reaches a

sufficiently detailed stage to ensure that all equalities considerations are built into the plans.

The assessment will review plans for Chester-Le-Street and Seaham, and specifically consider how the sites may be affected by the proposed developments, however the detail of this will need to be reviewed once further design development takes place.

Climate Change

The delivery of the leisure transformation programme is well aligned with the priorities of the council and delivery of a sustainable future. The new facility at Bishop Auckland is being design and delivered to BREEAM Very-Good standard and embraces a fabric first, zero carbon design ethos. For all the other projects, every effort is made to exploit opportunities to improve efficiency, decarbonise and otherwise improve the sustainability of the leisure centres.

Human Rights

None

Crime and Disorder

Although not specifically addressed through this report, it is anticipated that delivery of the leisure transformation programme will have a positive contributory value to overall social value, which will include consideration of crime and disorder prevention and diversionary engagement opportunities through the leisure offer.

Staffing

Although not directly referenced in this report as final details will be subject to market demand and labour force availability, the leisure transformation is forecast to have an increase in overall FTE across the various projects.

Accommodation

The decisions in this report will not lead to a material impact on the number of leisure facilities but may result in a contributory or beneficial opportunity for other council services either through direct engagement or other use of the transformed venues. There will be a direct impact at Woodhouse Close in Bishop Auckland as part of the planned colocation of the library and leisure centre into a single venue.

Risk

There are a number of programme level risks and project specific risks identified, which is to be expected on a programme of this scale and nature. Risks are managed in accordance with project management principles and general good practice and reported on and managed through the projects specified governance arrangements.

Project level risk is managed at project level and mainly relate to practical considerations regarding delivery of the scope of each project. Programme level risks are held and managed by the programme team and overseen by the Leisure Executive Programme Board, these constitute more organisationally relevant risk such as Capital Costs, revenue projections aligned to the programme funding and reputations risks to the council.

Procurement

All procurement across the programme is being carried out in accordance with the council's contract procedure rules and with the advice and support of the corporate procurement team.

Appendix 2: Summary of Strategic Investment Considerations

Site	Strategic Considerations					
	Strategic Insight, how well the project aligns with the councils, partners, and national strategies	Health Deprivation and accessibility, to understand how the project can best support the needs of their respective communities and support the councils' overall ambitions for residents to live long & independent lives	Demand analysis; how current leisure provision is meeting the needs of communities; how changing requirements are needed to continue to support current and future demand	Financial Performance, in terms of how well each facility is performing and its prospects for growth	Design & technical factors, understanding the capital cost of the projects, the level of deliverability assurance	Condition Details & Maintenance backlog - to understand the current buildings asset liability and value of investment
Abbey	3	3	3	2	3	2
Spennymoor	3	3	3	2	3	2
Teesdale	3	2	3	2	3	2
Louisa Centre	3	3	3	2	3	3
Peterlee	3	3	3	2	3	3
Bishop Auckland	3	3	3	2	3	3
Riverside	2	2	3	2	2	3
Shildon	2	3	1	1	2	2
Meadowfield	1	2	1	2	2	2

Wolsingham						
Newton Aycliffe	3	3	2	2	2	2
Chester-Le-Street	3	2	3	2	2	2
Seaham	3	3	3	2	2	3
Consett						
Freemans Quay						

RAG Rating Key

Strongly Supports the case for investment - 3
Minimal / partial case for investment - 2
Minor / no support for investment - 1
Not Applicable - not earmarked for direct LT investment

Appendix 3: High-Level Programme Overview

High-level Overview - Indacative Programme for Current Committed Projects																												
	2023												2024				2025				2026				2027			
	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Abbey				Project Delivery																								
Peterlee Gym				Project Delivery																								
Peterlee Soft Play & Bowling							Project Delivery																					
Peterlee Pool Repairs											Project Delivery																	
Spennymoor Phase 1 - inc Library					Project Delivery																							
Spennymoor Phase 2												Project Delivery																
Louisa Centre Phase 1												Project Delivery																
Louisa Centre Phase 2												Project Delivery																
Bishop Auckland																						Project Delivery						
Bishop Auckland - demolition of old centre & final landscaping																							Project Delivery					
Teesdale													Project Delivery															
Key																												
Project Complete	Project Delivery																											
Project Delivery																												

Appendix 4: High-Level Scheme Overview

Category and facilities	Original January 2020 Capital Estimates (Excluding Capitalised Maintenance Investment)	Updated March 2021 Capital Estimates (Excluding Capitalised Maintenance Investment)	Latest Forecasts to Meet Original Aspirations (Including Capitalised Maintenance Investment)	Current Funded Budget Provision (Including Capitalised Maintenance Investment)
New Build / Replacement Facilities				
Chester-Le-Street	16,000,000	18,500,000	26,130,000	37,180
Seaham	16,000,000	22,600,000	26,608,000	0
Woodhouse Close	16,000,000	17,900,000	26,607,614	26,607,614
Sub-Total	£48,000,000	£58,900,000	£79,345,614	£26,644,794
Refurbished / Refreshed Facilities				
Abbey	1,985,000	2,630,000	4,128,697	4,128,697
Louisa	2,495,000	2,863,000	6,146,876	6,146,876
Peterlee	2,420,000	2,945,000	5,966,372	5,966,372
Freemans Quay	635,000	634,000	634,000*	0
Spennymoor	1,975,000	4,360,000	5,036,493	5,036,493
Consett	125,000	0	125,000*	0
Newton Aycliffe	125,000	0	125,000*	0
Wolsingham	125,000	0	125,000*	0
Teesdale	125,000	1,100,000	1,692,886	1,692,886
Meadowfield	£1,141,000	1,141,000	1,141,000*	0
Sildon	£1,669,000	1,600,000	1,600,000*	0
Sub-Total	£12,820,000	£17,273,000	£26,721,324	£22,971,324
Develop under partnership				
Riverside	2,000,000	2,000,000	3,100,000	3,100,000
Sub-Total	£2,000,000	£2,000,000	£3,100,000	£3,100,000
Unprogrammed / Unallocated	0	0	0	£10,103,637
TOTAL CAPITAL	£62,820,000	£78,173,000	£109,166,938	£62,819,755
Additional Budget Required to Meet Original Aspirations			£46,347,183	
Additional Revenue Borrowing Costs to Meet Original Aspirations			£2,518,651	

* Notional figure – estimate remains in line with initial investment assumptions