

GRANGE ROAD WEST SPORTS CENTRE, GRANGE ROAD WEST, BIRKENHEAD

1. EXECUTIVE SUMMARY

- 1.1 This report seeks approval for the transfer by lease of Grange Road West Sports Centre following an application under the Council's Community Asset Transfer Policy.

2.0 BACKGROUND

- 2.1 Cabinet, at its meeting of 15th January 2009, made decisions on a number of its assets as part of the Strategic Asset Review. In the case of Grange Road West Sports Centre, Members resolved that it be transferred to community management within a two year period, and that discussions take place with those who currently use the facility or other community members, if necessary, to secure its continued operation.
- 2.2 At its meeting on 19th March 2009, Cabinet approved a Community Asset Transfer Policy to ensure that transfers are approached on a consistent basis. This requires interested parties to submit initial expressions of interest in a standard format so they can be appraised and a recommendation made as to which applicant(s) should proceed to a second stage. The second stage would require a much more detailed response to be submitted including a business plan.
- 2.3 In accordance with the policy, Grange Road West Sports Centre was advertised in the local press on 15th and 22nd July 2009 which resulted in four expressions of interest.

3.0 THE PROPERTY

- 3.1 The premises were originally constructed circa 1890 as a Drill Hall with attached living accommodation, now used as sports centre comprising a large sports hall, smaller hall, fitness suite, café (presently unused), and associated office accommodation. The transfer will include a separate building within the site presently utilised as a boxing club, together with a dedicated car park opposite the main building. The extent of the land to be transferred is shown edged on the attached plan.
- 3.2 The Council has commissioned an independent condition report which has been undertaken by a company selected from the Council's standing list of consultants. Immediate repairs required to the building have been identified which will cost £34,500 to remedy.

4.0 INITIAL EXPRESSIONS OF INTEREST

- 4.1 Four initial expressions of interest were submitted by the deadline set at 26th August 2009. These were appraised and reported to Cabinet at its meeting on 24th September 2009. Cabinet resolved to invite the two highest scoring bidders to the second stage of the process and to make further detailed submissions. These bidders are the Birkenhead Community Development Committee (BCDC), and the Grange Road West Community Sports Partnership (GRWCSP).

5.0 SECOND STAGE APPLICATIONS

- 5.1 Second stage applications were initially invited by 6th January 2010 although this deadline was extended to the 22nd January 2010.
- 5.2 In advance of the submission date, separate scoping meetings were held with the individual bidders which were intended to assist and guide the applicants through the process. The meeting with GRWCSP took place on 20th October 2009 and with BCDC on 26th October 2009. Initial feedback from the two meetings indicated that sharing the facility would prove impracticable due to the need for BCDC to retain gymnastics equipment in situ, which would preclude the use of the main hall for court based activities. Both parties were, however, requested to discuss the possibility of their sharing use of the premises.
- 5.3 The second stage submissions required that a business plan be prepared that explained how the proposal met the following criteria: outcomes and benefits, organisational structure, capability and skills, community benefits, sources of finance, use of space, collaboration and financial offer. Summaries of the individual submissions are as follows:

6.0 BIRKENHEAD COMMUNITY DEVELOPMENT COMMITTEE (BCDC)

- 6.1 BCDC has been developed to bring together three established local gymnastics and trampolining clubs, those being Birkenhead Gymnastics Club (formed 2008), West Kirby Gymnastics Club (formed 1970) and Birkenhead Trampoline Club (formed 1975). It will be set up as a Community Amateur Sports Club (CASC) with a formal constitution which requires it to be open to the whole community
- 6.2 The main aim of the bid is to amalgamate the three constituent clubs and develop Grange Road West Sports Centre into a Gymnastics Academy. It is asserted however that the wider community will be involved through the promotion of such activities as aerobics, boxing, boxercise, cheerleading, dance, yoga, tai chi and pilates.
- 6.3 BCDC as requested has discussed the potential for sharing the premises with the other bidder (GRWCSP). It has been concluded by mutual agreement that this will not be possible due to BCDC's requirement to retain the gymnastics equipment in situ in the main hall. This will preclude court based activities such as five-a-side football, badminton and basketball.
- 6.4 BCDC require the premises on a peppercorn rental. It is prepared to undertake the repairs identified in the independently commissioned condition report at its own expense (£34,500). To cover start up costs and initial cash flow, it will use working capital available from the three constituent clubs and is not seeking any subsidy or

financial assistance from the Council. In addition, all equipment will be made available from the existing clubs. Due to the nature of the proposed constitution as a Community Amateur Sports Club, BCDC will not be allowed to make a year on year profit and so any surpluses have to be recycled into the business.

- 6.5 The submission and associated business plan was assessed by business advisors from the Department of Regeneration. In their opinion, the business plan provides evidence of a sound financial position, but concerns were expressed that the proposed use could be considered restrictive in nature.
- 6.6 Further concerns were expressed over the proposed operational regime and it was considered that more detail in the financial forecasts would be helpful to enable projected business growth to be more easily understood. It was considered, however, that the proposed management group, company structure and governance arrangements should prove satisfactory for the proposed future running of the building.
- 6.7 A panel comprising the Director of Regeneration, The Head of Housing and Regeneration, The Head of Asset Management and other officers from Asset Management and Procurement met to score the submission on 19th February 2010 and awarded a score of 71%.
- 6.8 The panel agreed that further information would be sought in relation to the suggestion that the proposed use could be considered as being too focussed on the existing clubs' activities, and that any community representation was lacking. Further, BCDC's ambition to create a 'Centre of excellence' was noted, but the question was raised as to how this would benefit the wider community. BCDC was also to be asked why a rental could not be paid for the building in light of the profits being forecast in the business plan, and a further breakdown of the financial forecasts was to be requested. Finally, more detail in the proposed organisational structure was to be sought.

7.0 GRANGE ROAD WEST COMMUNITY SPORTS PARTNERSHIP (GRWCSP)

- 7.1 GRWCSP wishes to take over the operation of the Centre and run it as a Company Limited by Guarantee. The partnership is proposed to be a collaboration between local residents and users intent on replicating the operation already undertaken at the Centre, with ambitions to increase the range of activities on offer
- 7.2 GRWCSP has discussed the potential for sharing the premises with the other bidder but, as stated above, a mutual agreement has been reached between the parties that this will not be possible due to BCDC's requirement to retain the gymnastics equipment in situ in the main hall. This will preclude court based activities such as five-a-side football, badminton and basketball.
- 7.3 The Partnership require a lease of the premises at a peppercorn rental and require them to be 'fit for purpose' prior to transfer. This will necessitate the undertaking of the repairs highlighted in the independent condition report by the Council in the amount of £34,500. This cost would be met from Community Fund monies allocated to support Community Asset Transfer.

- 7.4 The business plan identifies a shortfall between income and expenditure in years 1 and 2 and so GRWCSP are seeking a subsidy of £50,000 from the Council payable in two instalments at the start of those years.
- 7.5 The partnership had identified the need to reduce the shortfall and intends to address this by limiting opening hours to between 5 and 10 pm with the exception of the use in the daytime by authorised key holders. In addition, fees to use the centre will be raised by 15% and daytime usage by 60%. There was little detail as to how the extra usage would be achieved, except from the reference to use by key holders, or whether the 15% fee increase could be sustained.
- 7.6 The submission and associated business plan was assessed by business advisors from the Department of Regeneration. Concerns were raised over the proposed organisational structure and it was considered that more detail would be required in respect of the financial forecasts.
- 7.7 A panel comprising the Director of Regeneration, the Head of Housing and Regeneration, the Head of Asset Management and other officers from Asset Management and Procurement met to score the submission on 19th February 2010 and awarded a score of 52%.
- 7.8 The panel agreed with the concerns raised over the proposed organisational structure and how the use by authorised key holders would work in practice. The 15% increase in fees and 60% increase in daytime usage were also questioned, and more detail for the financial forecasts was deemed to be necessary.

8.0 CURRENT POSITION

- 8.1 Following formal scoring by the officer panel, further information was sought from the bidders in respect of the areas of concern outlined above. Responses are set out below.

9.0 BCDC

- 9.1 In response to the suggestion that the proposed use might be considered to be restrictive, the Committee replied that, with the exception of court based activities, basically, five-a-side football, basketball and badminton (which will be lost), the sport and leisure activities on offer will actually increase. Current usage numbers are estimated to increase and a waiting list has been started for prospective members. There are potential alternative locations for the court based activities at Park High Specialist Sports College, Christ Church CE Primary School (sports barn), Leasowe Leisure Centre and the Tennis Centre at Bidston.
- 9.2 As regards community representation, all members of the Committee are Wirral residents and four live within the political ward or postal district of the Centre.
- 9.3 In respect of the desire to create a 'centre of excellence', BCDC's stated approach is to provide state of the art equipment and coaching to people of any age, gender, ethnicity or ability. A scholarship scheme is to be established.
- 9.4 In respect of the requirement to lease the building at a peppercorn rental, despite forecasting a £266,000 profit over the first five years, the Partnership view this as

essential to the long term sustainability of the venture. Due to its constitution, all profits will be recycled and will contribute to the free Friday night sessions aimed at local youth, scholarships, building maintenance and improvements, school transport and education outreach programmes.

- 9.5 In response to concerns over the proposed organisational structure, this has been reviewed and the conclusion reached that there is a need for permanent full time Centre Manager with a support team of 1.5 full time equivalent posts. In addition, there exists a large team of volunteers from the existing clubs, and services such as cleaning, security and caretaking will be outsourced.
- 9.6 The financial forecasts have been re-visited and show significant investments being made in the Centre initially and in each subsequent year whilst maintaining an operating cash surplus to underpin long term sustainability.

10.0 GRWCSP

- 10.1 GRWCSP confirmed that the key holder policy would only apply to schools and colleges for weekday daytime use and that key holders would be responsible for handling any incidents from operational failure through to accidents or emergencies during their period of usage. Keyholders would also be responsible for the general cleanliness after their sessions. There are said to be other centres operating in a similar way including youth clubs and at least one boxing club and insurances are available for this type of operation. GRWCSP also confirmed that they would only require sports supervisory staff in the evenings and that they would be required to undertake ancillary duties covering reception and general cleaning.
- 10.2 No further information has been received as to the acceptability of a 15% price increase, which is not shown in the financial forecasts until year three or how daytime usage will be increased by 60% when the plan is based on an 'authorised key holder' policy restricted to schools and colleges only.
- 10.3 GRWCSP confirmed that no income is anticipated from the Sports Development Unit if they remain at the Centre after transfer of ownership. More generally, the forecasts do not demonstrate how they will be able to move forward to achieve sustainability by widening usage of the Centre, increasing income and profitability whilst generating sufficient earnings and reserves to maintain and upgrade the facilities.
- 10.4 The detailed figures as presented for the first two years of operation have the same recurring entries and show no changes in income or expenditure over the whole period, which is, in the opinion of officers, unrealistic. Whilst a notional profit and positive cash balance are shown at the end of year two, this is only achieved by the payment of a £50,000 grant from the Council, £25,000 at the start of trading and £25,000 at the start of year two.
- 10.5 The annual forecasts for each of the years three, four and five show recurring figures based on a 15% increase in cash takings, a 30% increase in gas and electricity costs and a 10% increase in salaries applied in year three with no further changes in years four and five. All other costs are shown at the same annual levels as years one and two, which again is, in the opinion of officers, unrealistic.

- 10.6 Income is shown coming from use of the side rooms, café, soft play area, gym cash membership and ethnic group sports in each of years three, four and five with no explanation of how this will be possible given the proposed opening hours and with no corresponding increase in costs for equipping, servicing and managing these extra facilities.
- 10.7 A new forecast income stream was added to the financial information for the provision of childcare facilities in years three, four and five. This addition will contribute further income of £124,000, £166,000 and £166,000 respectively. The only disbursements are for childcare staff salaries, which remain static after the first six months of set up. There are no capital costs in years two and three for the establishment of the childcare facility and no expenditure the following two years for provision of new equipment etc. Only with the addition of this new facility will the business be operating at a small profit by the end of year five but as noted, there is no reference to set up costs. Without the childcare facility if assumptions are correct, the business would be operating at an annual loss.
- 10.8 Cash flow projections have been provided for these latter three years which suggest that by the end of year five the business should have a cash surplus. This will however, be reliant on the proposed childcare facility, and as mentioned this does not take into account the required expenditure identified.

11.0 BID COMPARISON

- 11.1 On initial evaluation, the BCDC submission scored 71% and the GRWCSP bid scored 52%.
- 11.2 Both bidders require a lease at a peppercorn rent.
- 11.3 The BCDC proposal does not require any financial assistance from the Council and will use working capital to cover start up costs. The GRWCSP submission requires an initial subsidy from the Council of £50,000 over the first two years.
- 11.4 BCDC are prepared to undertake the repairs identified in the condition report at a cost of £34,500 whereas GRWCSP require that the Council undertake these repairs.
- 11.5 In terms of governance, both bids are acceptable.
- 11.6 Of the two business cases, that made by BCDC is, in the opinion of officers, the more robust and most likely to be sustained in the long term, without further involvement from the Council. The case made by GRWCSP is dependent at the outset on financial assistance from the Council.
- 11.7 From evaluating the submitted bids and in light of the above, it is the view of the appraisal panel that BCDC has submitted the strongest bid.
- 11.8 Acceptance of the BCDC bid will, however, potentially affect certain local community sports provision adversely, particularly in respect of court based activities and trampolining. Officers will use their best endeavours to assist those taking part in such activities to find suitable, alternative locations or seek the cooperation of BCDC to maintain as many of the activities as its new operations will permit.

12.0 TRANSFER PROPOSAL

12.1 It is proposed that the transfer takes place in line with the Community Asset Transfer policy on the terms outlined as follows:

- Term: 99 years
- Rent: Peppercorn
- Liabilities: The lessee to be responsible for all outgoings and maintenance.
- User clause: Sports Centre

12.2 Members will be aware of the Council's obligation to obtain the best price reasonably obtainable on the disposal of its land and property. However, under the General Consent, the Council does have the power to restrict the value of land by imposing restrictions as to its use on the grounds that to do so is in the interest of the economic and / or environmental and / or social well being of the inhabitants of the Borough and provided also that any such restriction in value does not exceed two million pounds, per transaction.

13.0 Financial implications

13.1 The transfer of this asset on the terms described will result in revenue savings of £94,100 per annum.

13.2 Backlog maintenance costs estimated at £34,500 will be saved should this asset be transferred. BCDC will meet those costs from its own resources, whilst a transfer to GRWCSP would require the use of the Community Fund allocation.

13.3 Future life cycle maintenance costs are estimated at £204,000 over the next 10 years. The Council will no longer have responsibility to meet these costs after transfer.

13.4 The property is located outside the area where residential development is currently permitted under the Interim Policy. If the Council were to sell the property in its current use, it could be expected to realise a capital receipt in the region of £200,000.

14.0 Staffing implications

14.1 Existing centre staff will be redeployed into vacancies within other Leisure Centres.

15.0 Equality Impact Implications

15.1 An initial Equality Impact Assessment has been undertaken in respect of the proposed transfer of the building to BCDC. Where negative impacts have been identified, officers will work with all relevant parties to mitigate any potential loss of activities.

16.0 Community Safety implications

16.1 None arising directly from this report.

17.0 Local Agenda 21 implications

17.1 None arising directly from this report.

18.0 Planning implications

- 18.1 The site is designated as Primarily Residential Area on the Unitary Development Plan, adopted by the Council in February 2000. UDP Policy HS15 allows for non-residential uses which would not result in a detrimental change in the character of the area. As the site is already in use as an indoor sports centre, planning permission would not be needed for the transfer of the asset for the same class of use.
- 18.2 The site falls within an area subject to the limitations on new residential development set out within the Interim Planning Policy for New Housing Development adopted by the Council in October 2005.

19.0 Anti-poverty implications

- 19.1 None arising directly from this report

20.0 Human Rights implications

- 20.1 None arising directly from this report

21.0 Social Inclusion implications

- 21.1 The lease to BCDC will have a positive impact on social inclusivity in the area.

22.0 Local Member Support implications

- 22.1 The property is located within the Claughton Ward.

23.0 Background Papers

- 23.1 Cabinet reports:

27 November 2008 – Strategic Asset Review

15 January 2009 – Transforming Wirral

24 September 2009 – Grange Road West Sports Centre

24.0 RECOMMENDATIONS

- 24.1 That a transfer by lease of Grange Road West Sports Centre to Birkenhead Community Development Committee be agreed and the Director of Law, HR and Asset Management be authorised to complete the necessary lease on the terms set out in this report.

Bill Norman

Director of Law HR & Asset Management.