

**Manchester City Council
Report for Resolution**

Report to: Executive – 17 November 2021

Subject: Withington Baths Financial Support

Report of: Strategic Director - Neighbourhoods

Purpose of report

This report provides details of a proposed £1 million loan by Manchester City Council to Love Withington Baths Charitable Trust which will enable essential repairs to the facility that provides valuable swimming, leisure and well-being activities in south Manchester.

Recommendations

The Executive is requested to:

1. Note the background and rationale for the provision of this loan.
 2. Recommend to Council a capital budget increase of £1 million for the purpose of a loan from Manchester City Council to Love Withington Baths Charitable Trust, to be over a repayment period of a maximum of 25 years, and to be funded from borrowing.
 3. Delegate authority to the Deputy Chief Executive and City Treasurer, and City Solicitor, in consultation with the Deputy Leader (Statutory), to agree and finalise the terms of the loan
 4. Delegate authority to the City Solicitor to enter into all contractual and ancillary arrangements to give effect to the recommendations set out in this report
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Wards Affected: Old Moat and Withington

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city

This loan will enable essential works to take place which will provide improved local facilities.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This loan will enable essential works to be carried out to Withington Baths, keeping the centre open and therefore sustaining footfall and safeguarding 25 full-time and part-time jobs (75% of employees are residents in the Manchester City Council area).

A highly skilled city: world class and home-grown talent sustaining the city's economic success	This loan will enable essential works to be carried out to Withington Baths, keeping the centre open and therefore safeguarding jobs. The facility includes a managed workspace supporting 15 – 20 local sole traders and self-employed.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	This loan will enable essential works to be carried out to Withington Baths, keeping the centre open and ensuring a range of leisure and well-being activities continue to be available to local communities. The benefits of physical exercise on individual's mental health and wellbeing are well established as are the positive benefits to confidence in young people from learning to swim.
A liveable and low carbon city: a destination of choice to live, visit, work	This loan will enable essential works to be carried out to Withington Baths, keeping the centre open and providing high quality leisure services for residents in a sustainable location in the heart of the community and making Withington a better place to live and work.
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

It is proposed that the loan will be funded from borrowing, and this will incur revenue costs in the form of interest and minimum revenue provision. The terms of the loan will be set to ensure that the payments received from the Trust will fund these costs on an annual basis and will need to be subsidy control compliant.

Financial Consequences – Capital

If agreed, the proposals in this report would increase the Council's capital budget by £1 million, to be funded from borrowing.

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Background documents (available for public inspection):

1. Introduction

- 1.1 Built in 1911, Withington Baths has remained a constant and iconic presence in Withington Village and is a well-used and much-loved community asset. The pool and its associated facilities are managed by Love Withington Baths Charitable Trust following a successful campaign to keep the Baths open in 2015, when responsibility and management of the building was transferred from Manchester City Council.
- 1.2 The Council has been working with the Baths on ambitious plans for the development of the facility. However, the building requires essential maintenance works to secure the envelope of the building and allow the baths to remain open.

2. Transfer from Manchester City Council to Love Withington Baths

- 2.1 In late 2012 in response to central Government funding cuts, the City Council announced the intention to close Withington Baths and Chorlton Baths and build a new leisure facility at Hough End. The Council embarked on a consultation process in January 2013.
- 2.2 There was a large response to this consultation with strong public feeling that Withington Baths should be kept open. Subsequently, the Save Withington Baths campaign was formed and after discussions the Council agreed to give Withington Baths a two year stay of execution with a view to the community looking to operate the baths thereafter as a community enterprise.
- 2.3 In 2015 management of the Baths transferred from the Council to Love Withington Baths Charitable Trust under a lease arrangement which included liability for any future repairs but with the Council retaining ownership of the building.
- 2.4 Over the following years, Love Withington Baths have carried out minor refurbishments which have restored original details but there are significant major repair works required to the buildings.

3. Current Delivery/Demand at Withington Baths

- 3.1 Love Withington Baths Charitable Trust have been able to successfully turn a loss-making facility into a facility that generates a surplus and which provides a range of programmes and activities for the whole community including swimming pool, gym, office space and fitness studios.
- 3.2 Since 2015, there has been a significant increase in the number of young people living in South Manchester and the number of schools have increased much greater than forecasted when the Baths closure was proposed in 2013.
- 3.3 As a result, the Council contracts with Love Withington Baths for the delivery of school swimming for primary schools at Withington Baths. If the demand analysis undertaken in 2013 was taken again today, it would indicate

that the swimming pool at Withington needs to be retained or replaced to meet the demand forecasted for the foreseeable future. This demand is likely to increase further over the next 2 years whilst Manchester Aquatics Centre is being refurbished.

- 3.4 The facility currently has c2000 gym members, 700+ children on the after-school swimming programme, 16 school swimming sessions weekly, 60 classes per week and a range of community activities including Baby Swimming and Dance Like a Mother through to Silver Circuits, Pilates and table tennis classes for older people. In addition to the gym and pool there are 2 studios, a sauna, and a managed workspace, available for hotdesking.
- 3.5 Love Withington Baths Charitable Trust have surpassed their own business plan expectations year on year and they have generated a healthy surplus from the c150,000 annual footfall which has enabled them to reinvest and restore many parts of the building, which were previously out of commission. As a result, the facility is in a much better condition than it was when it was handed to them by the Council.
- 3.6 Whilst recovery from the pandemic is difficult to predict, we can take some confidence in the Trusts track record of delivery. Also, both the after-school swimming and the gym membership numbers are now higher than they were pre-pandemic. There is a strong rationale to providing support for Love Withington Baths, allowing the building to remain open whilst repairs take place

4. Funding requirements

- 4.1 The facility has been operated on a full repair and maintenance lease and in addition to annual maintenance work, refurbishment of both studios (£60,000), redeveloped upstairs unused area into workspace (£140,000) and refurbished sauna (£100,000) have all been financed from Love Withington Baths own profits, crowdfunding and a loan for the workspace.
- 4.2 The structural fabric of the 110-year-old building is now in need of considerable repair, in particular the roof of the building, but also some repairs to the external elevations and to the building's structural elements, including a significant amount of reinforced concrete around the pool and replacement of the boiler.
- 4.3 Love Withington Baths have approached the required roof works as a heritage project, with a view to restoring what is a beautiful (albeit costly to restore) period feature of the building. The Baths have been developing a bid for some time to address the above issues.
- 4.4 In 2019 the Baths were successful in securing Heritage Lottery funding for £900,000. An additional £230,000 from the Baths' own reserves was intended to cover all the anticipated £1.1million project costs.

- 4.5 A robust and transparent tendering process undertaken by the Baths has returned tendered costs considerably higher than anticipated. Three prices were submitted to the Baths, with the preferred tender coming in at around £2.1 million reflecting the rapid increase in construction costs. There is a significant gap in funding of around £1 million.
- 4.6 Some value engineering work has taken place along with prioritisation of works, to reduce the overall cost. However, the ability to achieve cost reductions or reduce the scope of the works is limited to ensure the long-term condition of the building and to ensure that the works are in keeping with the architectural quality of the building required by the National Heritage Lottery Fund (NHLF). Once the work has been done, major lifecycle works will be complete, thus reducing significantly the risks concerning ongoing operation of the facility by the Trust.
- 4.7 Love Withington Baths is a well-managed Trust. Prior to the pandemic a healthy annual operating surplus has been generated. Some of these surpluses have gone into refurbishment projects and some is held as an operating reserve. Post lockdown, members have returned to the Baths in good numbers and the Baths remain in a healthy position.
- 4.8 However, the condition of the roof and other structural elements are a significant risk and could become unsafe at any time which would result in the significant impact of having to close the pool. Additionally, the NHLF monies are timebound and whilst an extension has been secured due to the pandemic, the project needs to start soon.
- 4.9 As a result of the financial shortfall and the risk factors associated with not proceeding with the works, Love Withington Baths Charitable Trust have approached the Council for financial assistance.

5. MCC Officers Review

- 5.1 Following the approach from Love Withington Baths Charitable Trust for support a small project team of senior officers has met to review in detail, the Baths business plan, profit and loss accounts and tender process for the works required.
- 5.2 This project team comprises of the Deputy City Treasurer, Interim Commercial Director, Head of Sport Culture and Leisure, Strategic Neighbourhood Lead (south) and a Neighbourhood Manager.
- 5.3 The detailed review of all documents provided by the Trust has concluded that the Baths is in a strong financial position, provides a valuable contractual service, is an important community resource and that the tender process undertaken was thorough and robust.
- 5.4 The project team are of the view that trying to achieve the bulk of savings through value engineering is not advisable and that it is prudent for all the works to be carried out concurrently and in totality.

5.5 Given the Baths healthy financial position and proven record of accomplishment, the Council is minded to loan Love Withington Baths Charitable Trust of up to £1 million to cover the shortfall repayable over a long payment period of a maximum of 25 years, based on the expected life of the works. The nature of the works will significantly enhance the life of the asset and it is therefore appropriate to allow the repayment of the loan over the life of the works. The terms of the loan and repayment schedule can be agreed between parties, noting that they will need to be compliant with Subsidy Control rules.

6. Conclusion

6.1 Withington Baths is a well-managed facility with the Love Withington Baths Charitable Trust having a robust business plan in place. It provides an important local health and well-being offer in south Manchester to a wide range of communities. Provision of this loan will allow for essential repairs to take place whilst allowing the facility to remain open at the same time.

6.2 Recommendations can be found at the front of this report.

7. Key Policies and Considerations

(a) Equal Opportunities

7.1 The loan will facilitate essential repairs which will ensure Withington Baths continues to provide a range of health and well-being activities to south Manchester residents.

(b) Risk Management

7.2 Manchester City Council officers have undertaken due diligence on Love Withington Baths business plan, accounts and tender process for the proposed works and are satisfied in these regards. The freehold of the Baths remains with the Council so failure with the repayment of the loan the building would revert to the Council.

(c) Legal Considerations

7.3 The Council is proposing to provide Love Withington Baths Charitable Trust with a term loan facility. The Loan is to be provided by the Council under the powers in section 1 of the Localism Act 2011.