

REPORT TITLE: OUTLINE BUSINESS CASE AND ASSOCIATED GOVERNANCE:
SPORT AND LEISURE CENTRE

20 NOVEMBER 2017

REPORT OF PORTFOLIO HOLDER: HEALTH AND WELLBEING

Contact Officer: Andy Hickman Tel No: 01962 848105 Email
ahickman@winchester.gov.uk

WARD(S): ALL

PURPOSE

The Council has been considering the provision of a new Sport and Leisure Centre for the district for several years, and, in November this year determined the facility mix for the new facility at the Garrison Ground, Bar End.

This report considers the Outline Business Case, associated governance arrangements with key partners, and some important next steps.

RECOMMENDATIONS:

It is recommended that Overview and Scrutiny Committee;

Note the progress made to date and considers whether to provide any comments to be considered by the Cabinet (Leisure Centre) Committee on 7 December.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 This project supports the Health and Happiness outcome of the Council strategy through the intention to increase access to leisure and sports facilities to improve the health of the district.

2 FINANCIAL IMPLICATIONS

- 2.1 The financial appraisal in the Outline Business Case indicates that there would be a net cost of a minimum of £1.8 million over the 40 year life of the proposed new Sport and Leisure Centre, depending on which scenario is chosen to be taken forward. This includes the borrowing costs.
- 2.2 Although the proposed new Sport and Leisure Centre does not provide the Council with an overall financial return in its own right, a number of the scenarios (see paragraph 11.13 to 11.5) produce a positive net impact on the General Fund, over the life of the proposed new Sport and Leisure Centre, when compared to the revenue costs of the existing leisure centre.
- 2.3 All of the main scenarios for building a new Sport and Leisure Centre result in a better financial position than trying to keep the existing leisure centre operational for a further 40 years. Borrowing costs have been taken into account in the financial appraisal.
- 2.4 The Council's Medium Term Financial Strategy is forecasting a budget shortfall of 4.5 million over the next 4 years. The proposed new Sport and Leisure Centre would increase the budget shortfall in the short term; however, in future years there is an overall positive net financial impact on the General Fund compared to the existing revenue costs.
- 2.5 The detailed financial implications of the proposed Sport and Leisure Centre are set out in Section 11 below and in Exempt Appendix A.
- 2.6 Members are aware that at the Cabinet Meeting of 13 November it was agreed to progress to RIBA Stage 3, pending approval of the business case. The project is currently operating within the overall fee budget but there has been more intensive work at RIBA Stage 2 than usually expected. Additional work has been undertaken in terms of agreeing and modifying the facility mix and associated building size together with survey costs for assessing the ground conditions, visual impact, flooding issues and drainage.
- 2.7 Following a review of recent procurements on the project and some of the works already commissioned, the overall fee budget for the project requires re-profiling. There is no overall request for an increase to cost of the scheme fees.

- 2.8 Work will progress within existing budgets and it is proposed to utilise some of the capital budget to complete RIBA Stage 3 including the preparation and submission of a planning application. This request will be included as part of the Capital Strategy report to be considered by Council in February 2018.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 It will be necessary to agree Heads of Terms and a funding agreement with the University of Winchester (UoW) to ensure that all parties are clear on conditions related to the funding. Initial discussions have taken place with the UoW and draft head of terms are currently being drawn up...
- 3.2 A similar informal discussion to agree terms for a funding agreement has been held with the Pinder Trust and an outline agreement is in preparation.
- 3.3 It is necessary to agree the governance process of the new Sport and Leisure Park in order to incorporate funding partners ongoing participation and align this with the Council's decision making processes. The proposed outline governance arrangement is set out in Exempt Appendix B

4 WORKFORCE IMPLICATIONS

- 4.1 The staffing requirements for this development project are continually reviewed to ensure effective and timely project delivery. The nature and complexity of the project is very demanding and extra resources are being considered particularly in relation to the legal aspects of the project.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The existing River Park Leisure Centre (RPLC) needs to be maintained in good order until such time as a new Sport and Leisure Centre can be delivered and opened. Any delays to the timetable for the delivery of a new Centre may lead to increased maintenance costs. The Council's estates team is actively monitoring the condition of RPLC and undertaking any required works in the intervening period.

6 CONSULTATION AND COMMUNICATION

- 6.1 The development of the outline business case has been lead by Robin Thompson Consulting and there has been opportunity for the funding partners to be engaged in that process.
- 6.2 If the Outline Business Case is agreed, further engagement will take place as set out in Appendix D.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 One of the key objectives of the project is to deliver an EPC Grade A rating. The project will continue to be assessed against the BREEAM accreditation process.
- 7.2 Parking and transport issues are a key consideration for the project and this is subject to a specific work stream and engagement with Hampshire County Council as highway and transport authority.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 This is being undertaken as part of the detailed design and engagement work.

9 RISK MANAGEMENT

- 9.1 The Project has a separate risk register which is managed by the Project Manager. This report considers matters linked to risks associated around achieving a satisfactory Business Case.

- 9.2 Key risks include:

- managing the design against aspirations to ensure that it remains affordable whilst ensuring that the scheme meets the needs of the District's residents
- the procurement of a contractor and an operator are key risks and these were fully considered in November as part of the approval of the respective procurement strategies. It is important that these processes are carefully managed on an ongoing basis.
- careful design and consideration of technical information to ensure that the design going forward is robust and does not have impacts on the local environment and nearby residents
- the planning process is a key risk however this will be managed through thorough and inclusive engagement of all key stakeholders and careful consideration of identified issues.

- 9.3 This main risk consideration of this report relates to achieving a satisfactory Outline Business Case. The risks are greater in number and more complex because of the requirement to ensure that there is sufficient income from the facility to deliver a viable proposal whilst delivering a new centre which meets the needs and aspirations of users and sports groups and which is acceptable to local residents and statutory bodies.

9.4 There are also other important risks and impacts related to the lifespan of the existing River Park Leisure Centre (RPLC). These include the ongoing condition assessment and associated costs of required works in order to ensure that it remains safe and functional, along with the cost of heating and lighting an inefficient centre and the resultant environmental impact this has. The longer that the new Sport and Leisure Centre is delayed means that these risks and impacts will increase in terms of cost and reputation.

10 SUPPORTING INFORMATION:

10.1 Following the approval of the agreed facility mix for the new Sport and Leisure Centre at Cabinet on 13 November 2017, RPT Consulting has finalised the financial model for the Outline Business Case as set out below and in Exempt Appendix A.

10.2 The Outline Business Case tests the development of a new Sport and Leisure Centre at Bar End for which current estimates are for a total capital investment of £37.5 million of which £7 million is anticipated to be funded through partners and the remainder funded by the council.

10.3 If approved the design team will then be able to complete the RIBA Stage 3 design; to seek planning approval and seek through competitive tendering a cost for construction and management operation. This will feed into the Full Business Case which will then come back to Cabinet (Leisure Centre) Committee for approval before progressing to the implementation stage.

10.4 The Outline Business Case has adopted the HM Treasury "Five Case Model". The approved format is the Five Case Model, which comprises the following key components:

- The **strategic case** section. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme
- The **economic case** section. This demonstrates that the organisation has selected the choice for investment which best meets the existing and future needs of the service and optimises value for money (VFM)
- The **commercial case** section. This outlines the content and structure of the proposed deal
- The **financial case** section. This confirms funding arrangements and affordability and explains any impact on the balance sheet of the organisation
- The **management case** section. This demonstrates that the scheme is achievable and can be delivered successfully to cost, time and quality.

10.5 The purpose of the Outline Business Case is to consider the viability of the project against the project objectives based on all the information to date and to determine whether the new Sport and Leisure Centre is financially viable.

Meeting the Strategic Objectives:

Objective 1: To provide accessible public sport and leisure facilities to improve the health and happiness of the District's residents.

Delivered through

- A programme of activities to improve the health, fitness and wellbeing of the residents of the district
- A facility that can meet the existing demand and (has the potential to expand) to meet the population growth. An accessible location for the wider District's residents as well as for town residents
- Providing a wider park setting which combines both leisure activity opportunity together with competition sports
- Providing integration with specialist facilities such as the Sports Stadium, the hydrotherapy centre and treatment rooms
- Providing a high standard fully Sport England compliant facility allowing many different sports and leisure activities to take place
- Allowing for much greater participation in water based activities including learning to swim, training, gaining confidence, hydrotherapy and specialist areas such as triathlon training many of which can take place at the same time due to the flexibly design water areas and facilities
- To allow for regional swimming events
- Providing a wide range of facilities for those who have disabilities
- Providing a full range of accessible facilities and events for young people linked to school and college activities.

Objective 2: To increase participation in sport and active recreation.

Delivered through

- Provision of opportunities for people to reach their full potential in their chosen sport and leisure activity
- Improvement in the wellbeing of the local community through access to high quality sport and leisure facilities and foster partnerships with health organisations to achieve health outcomes
- Provision of a centre of sport excellence encouraging wider participation in many sporting activities
- Provision of a regional centre for water facilities, for sport , leisure and aquatic therapy
- Seeking to maximise the benefits from the existing facilities on the site including athletics and boxing
- Provision of additional capacity for school based activities

Comment

- 10.6 The Outline Business Case by its nature focusses on the economic aspects of the proposed development and it is important for the Council to be sure at this critical point in the project that this is the correct investment decision. In recognising that the Garrison Ground and King George V playing fields at Bar End already provides for sport and leisure use the Council is considering the use of this space as a whole through an Urban Design Framework. The new Sport and Leisure Centre forms part of the longer term vision for a Winchester Sport and Leisure Park.
- 10.7 Partnership working is essential to the delivery of this bold and ambitious development. The University of Winchester is a key partner, making a significant capital investment to the project. The Pinder Trust is similarly making a significant capital contribution towards the delivery of an integrated hydrotherapy centre.
- 10.8 Extensive engagement has taken place with local clubs and residents who will benefit from this new major public sport and leisure facility in Winchester which firmly supports the Council Strategy objective to promote health and happiness and other aspirations in relation to being a Lower Carbon Council.
- 10.9 The unique aspects of the Winchester Sport and Leisure Park Project focus around the provision of a modern leisure facility with a 50 m pool which maximises the flexibility of water space for different water leisure uses and creates a facility for future use. This focus on water differentiates this facility from others in the near geography. An integrated hydrotherapy facility adds a special element to the centre enabling a range of therapeutic services to be offered in this community facility.
- 10.10 This facility is coupled with the University of Winchester Sports Stadium and Artificial Playing Pitch along with open space and existing playing pitches. This combination of a modern centre in a Sport and Leisure Park setting provides for a compelling blend of facilities for residents of the district for both leisure and more competitive sporting activities.

Objective 3: To improve the quality and energy efficiency of Winchester's main leisure facility.

Delivered through

- A building with an EPC Grade A rating and BREEAM assessment
- Providing significantly less CO2 emissions than the existing Leisure Centre
- Assessing the scheme against the BREEAM accreditation system

Comment

10.11 This is a key consideration and is integral to the design work. Setting this object at the start of the project has allowed this to be designed in from the outset. The appointed mechanical and electrical specialists along with the BREEAM consultant have been set the challenge of meeting these objects, led by the lead designer, and within the context of an affordable budget.

OBC objective: To provide a Sport and Leisure Centre that is financially sustainable.

Delivered through

- The centre is affordable and self-financing over the life of the asset

Leading up to the approval of the facility mix in November a great deal of assessment and technical work was undertaken to bring forward a facility mix which:

- I. Supports the project objectives
- II. Meets assessed demand
- III. Reflects Sport England and Governing Bodies guidance
- IV. Provides a good balance of community and sporting facilities and which delivers a projected amount of income to support the ongoing costs of running and delivering the new centre.

10.12 Based on the facility mix agreed on 13 November, the capital costs of the proposed new leisure centre are £37.5 million, of which £7 million is likely to be funded by partner organisations, leaving the remainder to be funded by the Council. It is proposed that £1 million is funded by Community Infrastructure Levy (CIL) and around £30 million through prudential borrowing at an estimated annual cost of circa £1.2 million, based on current rates. Borrowing costs have been taken into account in the financial appraisal

10.13 The Financial Case concludes that building a new Sport and Leisure Centre on a like-for-like basis will result in a net financial cost of £29.3 million over the 40 year life of the leisure centre; however by exploring the two combination scenarios, set out below, the net financial cost can be significantly improved:

- a) Combination 1 – Market pricing and no club discounts results in a net cost of £8.3 million over the life of the leisure centre.
- b) Combination 2 – Market pricing, no club discounts and swimming lessons run by the operator results in a net cost of £1.8 million over the life of the leisure centre.

- 10.14 Therefore the financial appraisal in the Outline Business Case indicates that there would be a net cost of a minimum of £1.8 million over the 40 year life of the proposed new leisure centre, depending on which scenario is chosen to be taken forward. This includes funding the capital financing costs.
- 10.15 Although the proposed new leisure centre does not provide the Council with an overall financial return in its own right, the combination scenarios produce a positive net impact on the General Fund, ranging from £11.1 million to £17.6 million over the life of the proposed new leisure centre, when compared to the revenue costs of the existing leisure centre. Therefore, it is proposed to explore the combination scenarios during the procurement of the operator and the development of a Full Business Case to identify the best approach for the council.
- 10.16 All of the main scenarios for building a new leisure centre result in a better financial position than trying to keep the existing leisure centre operational for a further 40 years.
- 10.17 The Council's Medium Term Financial Strategy is forecasting a budget deficit of £4.5 million over the next four years. The proposed new Sport and Leisure Centre would add further increases to this deficit, in the short term, but in later years would have positive impact on the General Fund compared to existing revenue costs.

Other funding sources

Community Infrastructure Levy

- 10.18 The Council collects contributions from developers through Community Infrastructure Levy (CIL) and the amounts due are calculated using the Council's approved charging schedule. The protocol for allocating CIL funds was agreed by Cabinet in June 2016 (CAB2807) and includes the development of a rolling 3 year programme of schemes (CAB2962 September 2017 refers).
- 10.19 The agreed protocol prioritises strategic infrastructure schemes which help to deliver the growth set out in the Council's development plan (local planning policies) and its other strategies (including sport and leisure facilities) as well as supporting sustainable communities (social, environmental and economic) and addressing the impact of proposals beyond that which can be secured by planning obligations for individual development schemes.
- 10.20 The Council has a CIL Regulation 123 list (R123 List) which specifies projects or types of infrastructure which the Council intends will be, or may be, funded fully or partly by CIL contributions. In order to provide infrastructure which meets the broad aims of the spending protocol referred to above priority is given to schemes which are consistent with the R123 List and Infrastructure Delivery Plan (IDP) The R123 List includes 'Built facilities Indoor Sport and recreational facilities comprising: provision of facilities to address deficiencies in indoor and built sports, recreation or leisure facilities in accordance with LPP1 Policy CP7; particularly those identified in the WCC Built Facilities

Study'. The timing associated with bringing forward a specific proposal for a leisure facility at a site in Bar End, relative to the development plan process, mean that it was not referred to in the IDP.

- 10.21 Nevertheless the provision of leisure facilities in the district has been a matter that the Council has been considering for several years, and, for the reasons set out elsewhere in various Committee Reports and this Outline Business Case, the construction of a new Sport and Leisure Centre on the Garrison Ground has been determined as the best way for the Council to achieve their objectives for this. A contribution of £1m towards the Sport and Leisure Park project from CIL funding would help enable for some of the enabling works to be provided including the access point onto the public highway, other access improvements for pedestrians and cyclists and drainage connections and enhancements to public foul and surface water systems.
- 10.22 It is considered therefore that using CIL to part fund an important leisure development which will offer new and improved facilities not just for Winchester, but the wider district, is an appropriate use of this income stream which aligns with the objectives of the spending protocol. A new sports and leisure centre will help to meet increasing demand for these types of facilities relating to the district's rising population associated with the level of growth set out in the adopted Local Plan which includes 4000 new homes for the city as well as additional housing in the market towns and villages. A contribution of £1m capital from CIL would mean that, on the net impact on the General Fund over the life of the asset, the scheme would be closer to breakeven. It is proposed to include £1m from CIL in the Outline Business Case, but as with all funding sources, this will be clarified through the period to the Final Business Case.

Partner funding

University of Winchester

- 10.23 The University of Winchester (UoW) are a key partner investing £6 million capital, excluding VAT, into the project and placing their Sports Stadium and Artificial Playing Pitch into the partnership.
- 10.24 In return for their investment the University has requested to ensure that there branding is included in the new Sport and Leisure Centre. The University also have some terms in relation to usage which are currently being discussed, the main assumptions from these have been tested in the OBC, these terms will be finalised and included within a Funding Agreement.

Pinder Trust

- 10.25 The Pinder Trust is a key partner investing at least £1m into the delivery of a hydrotherapy pool to allow access to treatment. The Pinder Trust is a grant

giving charity established by the late Margaret Pinder and is devoted to supporting provision for hydrotherapy and physiotherapy.

- 10.26 The Pinder Trust has appointed a clinical physiotherapist, specialising in aquatic therapy, to help inform the design of the hydrotherapy suite. The Sports Consultancy has worked with local aquatic therapists to develop a financial appraisal of the hydrotherapy suite. The Pinder Trust and their consultant will also help to inform the specification for the management operator.
- 10.27 In order to secure this funding the council will be entering into a funding agreement with the Pinder Trust. This agreement will allow the council to secure the financial contribution and for the Pinder Trust to be clear of the basis on which the money is being given.

Hampshire County Council

- 10.28 The County Council has various land interests on the wider site and negotiations are underway to establish whether the County Council wish to include any land in the development of the Sport and Leisure Park. These negotiations will continue and are not time critical to decisions required in this paper.
- 10.29 The County Council is also considering a capital investment in the project in relation to the establishment of a Hampshire Institute of Sport.

Ministry of Defence

- 10.30 A meeting has been held with the Ministry of Defence (MoD) to update them on the progress of the project. Although they continue to be very supportive of the project, it is understood there is unlikely to be scope for capital funding but this has yet to be confirmed. There is the basis however of further enhancing the local relationship the Council already has with the MoD in relation to use of the facilities. This will continue to be explored and is not time critical to decisions required in this paper.

11 Governance arrangements

- 11.1 In order to deliver the project a core project team is in place to manage the project under the leadership of the Head of Programme who reports to the Director of Place as project sponsor and portfolio holder for Wellbeing. The Cabinet (Leisure Centre) Committee has been established to help guide the project and to make key decisions.
- 11.2 However, in due course it will be essential to create a governance structure that enables our investment partners to participate in the development of the

project. A proposed Governance Structure is set out in Exempt Appendix B. This arrangement will allow the Council, University and Pinder Trust to work together to deliver and manage a new Sport and Leisure Park. This includes the establishment of an Advisory Board as set out below.

- 11.3 Due to the level of investment being provided a funding agreement based on a shared vision for the project will be developed with the University. A similar agreement will also be developed with the Pinder Trust to ensure that both parties are in agreement with the conditions and requirements of the funding.
- 11.4 These governance arrangements and agreements propose that a Leisure Centre Advisory Board, the terms of reference for which are attached at Exempt Appendix C is established. Once the centre is operational the Board will have day to day oversight of the contract and will give their advice and make their recommendations to the Cabinet (Leisure Centre) Committee for determination of required actions.

12 Next Steps

- 12.1 Once the Outline Business Case is approved the Council will continue to strive in partnership to deliver the project in line with the milestones set out below. The next step will be for the Council to consult on the RIBA stage 2 designs. This will take place between 8th December and 21st January 2018. The Council will also be progressing RIBA stage 3 with the aim of having a Full Business Case prepared by Winter 2018/19. Further details of the forthcoming engagement are set out in Appendix D.
- 12.2 The Council will seek to submit a planning application by early summer 2018 and it is recommended that the submission of this application be delegated to the Head of Programme in consultation with the Portfolio Holder for Health and Wellbeing.
- 12.3 The Gateways for this project are set out in the table below.

Gateway	RIBA Stage	Evidence required (what will we know)
1. Strategic Outline Case	End of RIBA Stage 1	In September 2015 Cabinet was provided with a financial assessment of shortlisted options. At this stage Cabinet decided the preferred option, if feasible was to build at Bar End.
2: Outline Business Case (Q4 2017)	End of RIBA Stage 2	Estimated capital costs (CAPEX) Operating income estimate <i>(both based on Concept Design)</i>

3: Full Business Case
(Q1 2019)

End of RIBA Stage 4

Generated capital costs
(CAPEX)
Operating income
*(both obtained by a
procurement process)*

13 OTHER OPTIONS CONSIDERED AND REJECTED

- 13.1 The Council could chose not to adopt the Outline Business Case. Any delay would have significant cost implications. Should the Council not proceed with the Outline Business Case then it is unlikely that the project can continue on the agreed timeline.

Cost implications of delay external consultants and design team	£30K per month
Inflation costs on total project costs	£93K per month

14 Conclusion

- 14.1 The Sport and Leisure Centre project is at an important decision stage. The facility mix has been agreed and shown as viable within the Outline Business Case. It is for Cabinet to consider whether to progress with this project at this time.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB2951(LC) - 17 JULY 2017

CABINET (LEISURE CENTRE) COMMITTEE - 12 June 2017

CAB2910 – 20 March 2017 Bar End Sport and Leisure Park Project Update

PHD Notice 710 September 16 Leisure Centre Replacement Project
Management Consultancy Support

CAB2820 – 5 July 2016 Leisure Centre Replacement Project

CAB2798 – 29 March 2016 Leisure Centre Replacement Project

CAB2708 – 9 September 2015 Options for River Park Leisure Centre

CAB2970 – 13 November 2017 Sport and Leisure Park Project – Update on Facility Mix

CAB2972 -13 November 2017 Sport and Leisure Park Project –Procurement

Other Background Documents:-

None

APPENDICES:

- Exempt Appendix A – Outline Business Case
- Exempt Appendix B – Governance Arrangements
- Exempt Appendix C - Advisory Board Heads of Terms
- Appendix D - Details of next Phase of Engagement

Appendix D - Communication and Engagement

Stride Treglown & LA Architects have developed a thorough programme of engagement with two stages completed to date. During summer 2017 over 500 people attended two phases of drop-in sessions where they were able to view story boards, speak with the architects and share their wish-lists and concerns for the Sport and Leisure Park. A series of online and paper surveys provided over 900 additional responses from residents and users. The Urban Design Framework and RIBA Stage 2 Concept Design have been informed by this engagement including the drop-in events, questionnaires and focused meetings.

If the outline business case is agreed and the project progresses, further engagement is planned for the end of the year as set out below on the RIBA Stage 2 concept designs and the Urban Design Framework, the results of which will feed into the detailed design process. Details for this are set out below:

Exhibitions on the following dates and times will be held:

River Park Leisure Centre

Friday 8 December 2017 3.00pm-7.30pm

Guildhall Winchester

Saturday 9 December 2017 10.00am-4.00pm

Saturday 6 January 2018 10.00am-4.00pm

Winchester Sports Stadium

Tuesday 12 December 2017 3.00pm-8.00pm

These exhibitions will be attended by the project team, Strides Treglown, LA architects and Mace.

A drop in exhibition will also be available at the following venues:

University of Winchester (for staff and students)

Friday 8 December 2017 – Sunday 21 January 2018

River Park Leisure Centre

Wednesday 13 December 2017 – Friday 5 January 2018

Monday 8 January – Sunday 21 January 2018

- There will be a direct mail out to residents and businesses in Bar End and Hyde.
- The event will be promoted by flyer and poster distribution through the Sport Stadium at Bar End, RPLC, Council buildings, Discovery Centre, doctors surgeries, schools, parish notice boards, resident groups.
- Emails will be sent to residents, landowners and interested parties, the University, Councillors, sports clubs, parish clerks, schools and young person's organisations and to the RPLC members list (approx. 5000

which will be sent by the River Park Leisure Centre marketing department on our behalf).

- A Broadsheet with key facts and a project update will also be issued in advance of the events.
- An online and paper survey/ comments form will be available for people to submit their comments.