

CABINET	AGENDA ITEM No. 7
30 NOVEMBER 2020	PUBLIC REPORT

Report of:	Steve Cox, Executive Director of Place and Economy	
Cabinet Member Responsible	Cllr Steve Allen, Cabinet Member for Housing, Culture and Recreation	
Contact Officer(s):	Dave Anderson, Interim Development Director	Tel. 07810 839657

REPLACING THE REGIONAL POOL

RECOMMENDATIONS	
FROM: Cabinet	Deadline date: N/A
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Subject to Recommendation 2 below and contingent on Council independent best value sign off, approve the purchase of a new Regional Pool facility on Pleasure Fair Meadows from the Peterborough Investment Partnership (PIP), as per the PIP's specification set out in the report. 2. Recommend to Full Council an amendment to the Council's budget to include capital purchase costs up to the level indicated in this report of £38m, subject to Recommendation 4. 3. Approve an investment into PIP of up to 49% of the project development costs set out in this report (up to £19m). 4. Delegate authority to the Executive Director of Place and Economy, in consultation with the Director of Law and Governance and Director of Resources to negotiate the terms of the investment and enter the necessary legal documents to facilitate the delivery of this project. 	

1. PURPOSE AND REASON FOR REPORT

- 1.1 The purpose of this report is to make recommendations to Cabinet about the replacement of the existing Regional Pool facility, which is nearing the end of its life. The report is being presented following approval of a September CMDN on progressing work to develop a detailed assessment and business case for the replacement of the regional pool.
- 1.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1, *'To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.'*

2. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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3. BACKGROUND AND KEY ISSUES

- 3.1 In September 2020 a Cabinet Member Decision Notice (CMDN) was published that:
1. Endorsed the conclusions of an analysis supporting the case for replacing the existing Regional Pool facility.
 2. Approved the selection of Pleasure Fair Meadows as the preferred location for a new Regional Pool leisure facility, subject to a detailed business case being developed.
 3. Instructed Council officers to develop a detailed business case, working with Peterborough Investment Partnership.
- 3.2 This work, which was led and commissioned by the Peterborough Investment Partnership, has now been completed and includes:
- a) Summarising the work undertaken to review and appraise the options for a new facility at Pleasure Fair Meadows.
 - b) A detailed business case based on the Treasury's "five case" model, attached as annex 1a to this Cabinet Report
 - c) A detailed feasibility assessment of pool replacement options by specialist sports and leisure consultants SLC (attached as Annex 1b).
- 3.3 In the period since the September 2020 CMDN was approved, arrangements with Vivacity for managing the city's public leisure and culture facilities have come to an end and management of the Council's leisure operations has transferred to Peterborough Limited. Longer-term options for operating the Council's leisure facilities are under review, including the Council's future Leisure Strategy. This report therefore leaves options for operating the proposed facility subject to the conclusions of the review and new Strategy.
- 3.4 The Regional Pool was built in 1976 and is reaching the end of its effective operational life as a leisure centre. Keeping it open for the next decade is not cost effective as significant additional short term works are needed to keep the premises open and there would still be a need to procure and finance a replacement facility. The plant and equipment in the Regional Pool are ageing and the facilities on offer fall short of what is now commonly expected by users. It is no longer wholly fit for purpose.
- 3.5 The site occupied by the Regional Pool is adjacent to the area allocated for the city's university development. While the plant and equipment within the building is approaching end of life the building itself is structurally sound and could potentially be repurposed for University related uses. A review conducted in 2017, funded by Sports England, indicated that Peterborough has a shortage of 9X25m swimming pool lanes relative to the English average level of provision per head of population and given the anticipated growth of the city this shortfall could rise to 14 lanes by 2035 (equivalent to two additional pools).
- 3.6 The replacement of the Regional Pool therefore needs to be viewed against the wider context of the Council's review of its leisure facilities and its built facilities strategy within which the creation of a new Swimming Centre at Werrington is also being investigated. The research evidence is clear that the city can easily sustain two 25m Swimming Pools and in due course is likely to need a third. The approach taken by PIP to develop business case has set out:
- a) To establish the strategic case for replacing the Regional Pool taking account of user demand and relevant Council and Government policies on Sports development. The work has been done by subject matter experts who have reviewed the options open to the Council. Their findings reinforce those of earlier studies and highlight an underlying shortfall of wet-side leisure space, a view shared by external bodies such as Sports England and Swim England.
 - b) To assess the wider economic case for re-provision, taking account of how a new facility can address user needs and become an asset for the city.
 - c) To consider the commercial case and rationale for providing a new Leisure Facility.
 - d) To explore the financial case for the council, assessing the financial implications of the main options of continuing with the Regional Pool to the end of its life versus two options

for a new Pool. The financial case sets out detailed income and operational cost forecasts prepared by external subject matter experts.

3.7 The assessment of demand undertaken by the consultants has led to two facility ‘mixes’ for a new centre: an ‘essential’ mix (viewed to be the minimum required for a modern replacement) and an ‘optimal’ mix (which builds on the minimal specification and extends it). The consultants looked at how each of the mixes would affect financial performance. The mix options are summarised below:

- **Essential:** 8 lane, 25m pool with 300 spectator seats; 15mx10m teaching pool; sauna and relaxation; 150-station gym; 2 exercise studios of 40-person capacity; 1 spin studio of 20-person capacity; café.
- **Optional:** 8 lane, 25m pool with 300 spectator seats; 17mx15m teaching pool; sauna and relaxation; 350sqm of leisure water, with water features and toddler splash area; 175-station gym; 2 exercise studios of 40-person capacity; 1 yoga studio of 20-person capacity; 1 spin studio of 20-person capacity; 4-court sports hall; soft-play area; possible clip-n-climb; café

3.8 A detailed business case is attached at Annex 1a and 1b to this report. The conclusions can be summarised as follows:

1. There is a clear, demonstrable and evidenced need for increased leisure provision in the city; this need is supported by the Council’s existing policies and strategies, the analysis undertaken by the external consultants (SLC), and by Sports England and Swim England.
2. It is not in the city’s nor the Council’s best interests from either a public health or financial perspective, to continue investing in the existing Regional Pool facility without a clear, long-term strategy for replacing this well-used and much-needed asset.
3. The existing Regional Pool is nearing the end of its useful operational life and its closure without a replacement would have significant negative impacts.
4. The development of a new facility on Pleasure Fair Meadows offers an opportunity to replace the Regional Pool in a timely fashion with a modern, fit for purpose centre that will help to meet identified user needs.
5. It is more cost effective to invest in new facilities now rather than sink costs in existing facilities that will need replacing in the medium term.
6. Given the extended range of facilities within the Optimal Mix and that its overall costs over fifteen years is of the same order as the less well-equipped Essential Mix, the best value option, despite higher capital costs, is the Optimal Mix. The headline financial forecasts for each option are as follows:
 - **Essential Mix:** based on a purchase price of c£26m, this type centre would make a net annual loss in the first 15 years of c£350k per annum; over the 40-year life¹ this might reduce to an annual loss of around £100k on average
 - **Optimal Mix:** based on a purchase price of c£38m, this type of centre would make a net annual loss in the first 15 years of c£400k per annum; over the 40-year life, it is possible that the facility is overall broadly cost-neutral

3.9 The losses indicated are not operating losses but take into full account the need for the Council to borrow money to fund the purchase and therefore to repay the money which will need to be borrowed for this purpose:

- a) The full ongoing costs for this new facility, if purchased from the PIP will need to be break even to comply with the Invest to Save criterion of the Council capital investment.
- b) The ‘social good’ benefits of the Regional Pool would be lost if it were to close and no replacement is ready. These include health benefits in a community that already has

¹ It should be stressed that projecting out 40 years is a highly imprecise science, and is intended to be indicative. It only increases costs and income on a 2% inflationary basis annually. SLC have noted that the annual performance of the facilities as projected, even over the 15 years, is good for public, walk-in (as opposed to private, member-only) leisure centres.

below average life expectancies, with potentially negative consequences for other parts of the public sector (such as the NHS)

- c) SLC's report notes that "assuming that the Council agree that there is a strategic need to replace the facility at some point...best value would be achieved by making that investment immediately rather than sinking further cost into sustaining an old, inefficient and sub-optimal facility".
- d) Council's borrowing rates are at a near all-time low, and it is likely they will rise in future, potentially leading to increased costs for reprovision if a decision on replacement is delayed.

Project Procurement and Delivery

- 3.10 A number of sites in the City centre have been assessed as set out in Appendix A. These sites have included:
 - a) Wellington Street Car Park;
 - b) Northminster;
 - c) North Westgate;
 - d) Mayors Walk;
 - e) Maskew Avenue;
 - f) Pleasure Fair Meadows Car Park.
- 3.11 The Analysis on pages 15 to 19 in Appendix A set out the relative strengths of each of the options and it is clear from this that as a city centre location, the Pleasure Fair Meadows Car Park is the best option.
- 3.12 P.I.P (Pleasure Fairs) Limited owns the freehold of Pleasure Fair Meadows site which is zoned for development including leisure related uses. The site was leased back to the Council for the continued use of the land as a car park for a term of 5 years which expires on 24th November 2020. There is a right to renew the lease for a further 5 year term if P.I.P have not applied for the grant of planning permission for development of the site. The terms of the new lease are on the same terms (except the right to a renewal) and will include a break clause in favour of P.I.P so that the lease can be terminated at any time after outline planning permission is granted upon 6 months' notice.
- 3.13 The Council is a co-owner of the PIP and would benefit as shareholder from dividends distributed from any profit on construction costs. It is proposed that the Council would enter a contractual arrangement to acquire the completed site from the PIP once the PIP has obtained the necessary planning consents and completed the construction of the proposed leisure centre².

The decision on how best to procure the Facility will be for the PIP to determine. The two main options for doing this are:

 - a) A standard procured design and build contract, funded by its partners.
 - b) A procured design, build and finance contract, where the contractor finances the build process themselves based on PIP paying a single, completion payment.
- 3.14 It is too early for PIP to determine the best route. Market considerations will affect contractor appetite for option (b). In the case of option (a) the Council would have the right – but not the obligation – to participate as a funder of the build process. Profits generated by the PIP are shared between the partners according to the ratio of each partner's investment, so if the Council were to invest 49% of the development costs then the Council would receive 49% of any development profit. This has worked well on Fletton Quays and is a tried and tested model.
- 3.15 Should Cabinet, and subsequently Council, approve the recommended approach to procuring a new pool and leisure centre through an agreement with the PIP, it would be necessary to prepare

² The Council could choose to lease the facility from PIP instead of acquiring it, but this is likely to be disadvantageous to the Council and cost more over time. The Council currently leases the site with the lease ending on 24.11.20

the appropriate legal and contractual documentation and building specifications for the Council to review.

4. CONSULTATION

4.1 None.

5. IMPLICATIONS

Financial Implications

5.1 It is clear from the reports, and an understanding of the facilities that the Regional Pool is very near the end of its useful life, and given the impending arrival of the university and ongoing costs to keep it open, now is the opportune time to replace. It is also clear from the draft business case that the Optimal solution would be of more benefit to Peterborough than the Essential option (financially and operationally).

The report asks Members to financially:

1. Approve the purchase by the Council, subject to best value sign off, from the Peterborough Investment Partnership (PIP), of a new Regional Pool facility on Pleasure Fair Meadows to the specification set out in this report, once the pool is built:
2. Recommend to full Council an amendment to the Council's budget to include capital purchase costs up to the level indicated in this report. This is set at £38m as an estimate. This funding is forecast to be required in 2 Years, following completion of the build.
3. Approve an investment into PIP of up to 49% of the project development costs set out in this report up to a value of £19m. This financing will be drawn down as per an agreed project drawdown schedule over the next 2 years.

We have a draft business case produced by SLC for the build requirements. In the previous section, we set out that it would be necessary to prepare the appropriate legal and contractual documentation, which PIP will do and the Council will enter into. As such, the present estimated build costs of circa £38m might well change. If the Council were to invest in the build of the facility, the Council's percentage investment could vary from 0% to 49%.

As part of the investment option the Council needs to understand:

- 1) What the rate of return/dividend will be for its investment;
- 2) The final magnitude of its investment.

This will need to be included in the legal and contractual documentation.

This report also sets out that the Council will purchase the facility from the PIP on completion. To do this, and also comply with best value and external scrutiny, there will be the requirement for the Council, before the transaction, to independently value the completed building to ensure VFM on its final purchase price.

Legal Implications

5.2 Statutory authority for the acquisition of the land is given by Section 120 of the Local Government Act 1972 which authorises the Council to acquire land for the purposes of any of its statutory functions or for the benefit improvement or development of their area.

The Council has to be and is conscious of its obligations under the Public Contracts Regulations 2015 (PCR). The Council's membership of PIP was established following detailed legal advice and has put in place a structure which correctly allows the Council to enter into property transactions which are not themselves subject to further competitions under the PCR. Legal documentation must be carefully drafted to ensure that the Council does nothing to bring these arrangements, discussed in this report, into the ambit of the PCR.

Carbon Impact Assessment

5.3 The goal for design and construction will be to produce a facility with significantly lower carbon impacts than the current regional pool. Therefore, the impact is neutral at this stage.

6. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

6.1 None.

7. APPENDICES

7.1 Appendix 1 – New Leisure Centre Business Care
Appendix 2 – SLC Regional Pool Feasibility Study Report