

# Leisure Centre Re-Provision: A Business Case

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## Document Purpose and Approach

This document provides the business case for the re-provision of the existing regional pool centre facilities, recognising that the existing facility is reaching the end of its life as it stands and represents a liability to the Council, economically and reputationally. It assesses the case for the re-provision of the facility, the fit this has to Council and wider national policy. the economics involved on a strategic and commercial basis, and the options for delivery, whilst highlighting risks and mitigations. This document also serves as a Project Plan, outlining how the facility might be delivered as a project by the Peterborough Investment Partnership, the Council's regeneration joint venture.

The Government's Treasury Green Book best practice guidance on business case production has been used as a basis for the development of this document. As a result, the document is split into sections consistent with the Green Book, though some take a slightly different approach given the context for this project. Each section is designed to address different questions:

1. Section 1, the Strategic Case: what is the case for change and its relevance to strategic goals?
2. Section 2, the Economic Case: what are the options and which delivers best overall 'value' to the city and its populace, given wider economic, social and environmental benefits?
3. Section 3, the Commercial Case: what is the recommended delivery mechanism, how will this work in practice on a fair basis, and how does it manage risk?
4. Section 4: the Financial Case: what are the financial implications to the Council by taking this forward in comparison to business as usual?
5. Section 5: the Management Case: assuming the project is implemented, how will the outcomes for the duration of a new facility be achieved; how will the new centre be run effectively?

Finally, attached as an Annex to this report is a detailed feasibility study on the regional pool replacement options by specialist leisure consultants SLC, who were appointed to assess demand, validate the proposed mix of facilities a new centre could have in light of this demand, and develop detailed financial models for any replacement (including capital costs, running costs, income and so on). Areas of this work are referenced at points throughout this document.

## Executive Summary

The existing Regional Pool was built in 1976 and is reaching the end of its effective life as a leisure centre. Keeping it open for the next decade is forecast to cost the Council £1.3m a year, and that would still leave the question of a long-term solution (and financing it) outstanding. Even were that acceptable, the age of the facilities present and the range of what is available falls well-short of what is commonly expected by consumers in a modern leisure centre. Specialist leisure consultants SLC conclude that:

*“Low energy efficiency and high operating costs together with the extensive lifecycle works identified through the condition surveys means that the Regional Pool is reaching the end of its economic life. This combined with the importance of publicly accessible swimming pool-space and the identified need for future provision means that the strategic case for a replacement facility is clear.”*

The demand for leisure space across the city to be increased – especially for public pool space – is a matter of record, both in terms of the Council’s own strategies and external bodies such as Sports England. There is a strong national and local policy stance that supports leisure provision, and demonstrable health and wellbeing gains to be had from doing so. This business case shows that the most appropriate time to replace the Region Pool is now, both in terms of economics for the Council and in addressing demonstrable need at a time when health and wellbeing have never been higher on the local and national agenda. Section one of this report provides more detail on this.

The Regional Pool does not in its current form meet the needs of modern Peterborough. The existing pool (despite its limitations) remains an important leisure asset, delivering recreational swimming and important teaching facilities. It is in high-demand, as the only public non-membership 25m pool in the city. An analysis of a range of suitable sites leads to the conclusion that the current Pleasure Fair Meadows Car Park is on balance the best location for reprovision of such a facility in the short-term, partly relating to its timeliness in availability, its strategic location with regards access, connectivity and prominence, and the effective influence that Council has on its development.

The Peterborough Investment Partnership (PIP) has offered to develop and sell a completed leisure centre to the Council on this site. This would see the Council pre-purchase the asset from PIP subject to its construction and obtaining planning consent. The Council transfers development risk to PIP for this, and enjoys the double-protection of its co-ownership and 50% board membership. The Council will also benefit from any profit from this scheme in the same way as it has, very successfully, done on Fletton Quays. Section three of this report discusses this aspect in more detail.

A detailed needs assessment, factoring in consideration of the mix of facilities that best support the economic viability and performance of a new leisure centre, has led to two options for a centre at the Pleasure Fair Meadows car park site.

- **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

The ability for the site to continue with public parking would be retained, with the likely numbers of spaces to be between 230 and 300; this would be finalised as designs developed.

The capital purchase costs of these options would fall within the ranges of £26m to £28m for the essential mix and £38m to £40m for the optimal mix. Section 4 of this document provides an overview of the highly-

detailed modelling the external consultants SLC have provided on how this cost is made up, as well as expert assessment of prudent operating costs and income forecasts.

SLC's financial modelling for the bottom-line position for the Council proceeding to pre-purchase the two facility types are below. This takes into account the adjustment for parking revenue as described above.

- **Essential Mix:** based on a purchase price of c£26m, a net annual loss in the first 15 years of c£350k per annum; over the 40-year life<sup>1</sup> this might reduce to an annual loss of £100k on average
- **Optimal Mix:** based on a purchase price of £38m, 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 cost-neutral.

The clear recommendations of this business case are that:

- a) Further investment in the Regional Pool should be avoided, in favour of the provision of a new facility
- b) That facility should be specified in line with the Optimal Mix detailed in this paper
- c) Pleasure Fair Meadows represents a timely and highly appropriate site for the new facility
- d) The Council should work with the Peterborough Investment Partnership to develop this facility there

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<sup>1</sup> 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.

## Section 1: The Strategic Case

This section provides needs analysis, policy and strategic context for the re-provision of city centre leisure facilities to replace the Regional Pool.

### Business as Usual: The Current Context

This section details key characteristics about current provision at the regional pool facility, including details of the user-base. It will discuss the extent to which the existing facility adequately meets its current user needs as well as the wider needs identified above. In doing so, it is sensible to start with some basic characteristics of the existing facility:

1. The Regional Pool was built in 1976, with its last major refurbishment in 2011
2. Its current offer comprises three main 'wet' facilities and some gym offer, specifically:
  - a. A six-lane 25 metre pool
  - b. A 13m x 12.5m diving pool
  - c. A 16m x 8m teaching/learner pool
  - d. A 90-station fitness suite.
3. There is no café facilities or sports hall at this site and overall, the facility is tired, the changing rooms are rated as below average by KKP and Sports England, and the façade is dated. The SLC review highlights that "usage and financial performance is significantly below what would be expected from a comparable modern leisure facility in a number of key areas"; it is highly likely that the age of the Regional Pool and the limited range of facilities within it contribute to this notably.
4. It was operated until recently under the culture and leisure contract with Vivacity, which saw the Council remain responsible for maintenance and utilities. These have been increasing costs as the facility has aged.
5. The condition survey in 2016 notes that it was assumed to be at the end of design life as a facility of this type and age, and a more recent 2020 assessment highlights £6m of capital investment needed simply to keep the facility operating over the next decade.
6. Over the next ten years, the SLC assessment shows the Council will need to invest c£13.2m (including the capital investment above) to keep the existing facility running.

A SWOT analysis of the Regional Pool is provided in Appendix One.

The Regional Pool is the only public pool open all day every day for residents to use as pay and go users. If this facility was to fail and close without a replacement ready many thousands of users would be without somewhere to train, socialise and improve their wellbeing. Sport England commissioned a report in 2017 in partnership with the Council and this clearly highlights that for a city the size of Peterborough there should be three public 25m pools for residents to use, especially with the significant growth over the coming years that is forecast. It is noteworthy that when the report was commissioned, the city's population was about 190,000, is today about 205,000, and is forecast to be 230,000 within the next ten years.

Currently over 25 primary schools use the facility during term times to meet key stage 2 requirements that all students before leaving primary school can confidently swim 25m. Along with this there are over 1,000 students taking part in the learn to swim programme on a weekly basis. This is a rolling programme from when they are four years of age to teach children water safety and confidence, and there are then options to develop into club coaching, junior life saving or general confidence sessions.

Along with the schools, the City of Peterborough Swimming Club use the facility as their main training facility. They currently hire over 20 hours of pool space per week and would have no immediate alternative venue to hire locally. The club has 126 members and is one of the smallest in the country: they are currently ranked 10<sup>th</sup> in the England non-affiliated, Cambridgeshire's premier competitive swimming club. COPs are a

partnership between Peterborough City Council, Vivacity and the City of Peterborough Swimming Club. The aim is to compete at the highest levels in the sport and within their squads they have International swimmers and National medallists. They also compete at County and Regional levels and travel widely to attend various open meets throughout the year.

The existing facility is used by many user groups that might struggle to find alternative facilities if the existing Regional Pool was to close without a replacement:

- NHS – Rehabilitation classes for a variety of conditions are provided, including cardiac and pulmonary conditions, cancer, and stroke, as well as treating obesity, and falls prevention work
- Army Reserves – Active personal can use the facilities to support their fitness and wellbeing to help with the voluntary work they undertake.
- Disability groups – The centre has many groups and individuals that have needs, these range from visual impairment and sight impaired groups to individuals that need careers or 1-1 training with trained professionals.
- Schools and Colleges – Both use the facilities through the year for specific training in the pool or the gym/studios.
- Fire Brigade – Dogsthorpe, Stanground and Yaxley brigades use the plant room spaces monthly to support their training development especially with new recruits. Once a year they also use the facility for mass evacuation training sessions.
- Holiday Club Activity – During school holidays the facility offers child care for children aged between 8yrs and 15yrs whilst schools are closed. This is a popular and required service that would be lost if the facility closed with no replacement on offer.

The current facility as outlined by Sport England is tired and needs investment. The customer journey is suboptimal, with a relatively uninviting car park and walk to the centre, the reception is not centrally located and the changing rooms on the first floor are dated and with few showers. The activity offer itself is limited; leisure and facilities have moved on significantly in the past 10 years and customer expectations for breadth of activities (especially family friendly) and quality of those are higher, but due to the design layout the facility cannot easily be reconfigured to offer activities such as splash pools, slides, clip 'n' climb, competitive socialising or virtual activities.

Given the Council's commitment to tackling climate change, including its declaration of a climate emergency, it also cannot be ignored that the Regional Pool (primarily due to its age and design) is not very energy efficient. It uses annually about 3,400,000kWh of energy and generates total emissions of about 700 tonnes of carbon dioxide. Any modern facility, as is the case with most new buildings, will be much more efficient.

## Leisure Needs Assessments for Peterborough

### Facility Requirements

The Council developed an Indoor Built Facilities Strategy with Knight, Kavanagh and Page (KKP) consultants in 2017. The 20-year strategy is based on an assessment of need for sports and leisure facilities to serve the current and future population of Peterborough. It considers the existing and planned supply of facilities across the city and balances this with the current provision and future demand for facilities in order to identify shortfalls or surpluses of provision.

In summary, swimming pools are popular in Peterborough, but the city has a relatively poor supply of water space in comparison to the national average and the overall quality of pools in the area is a concern, especially with a view to provision in the longer term. Publicly accessible pools are at a capacity, limiting their ability to meet existing and future demand for swimming activities. The Facility Planning Model (FPM) indicates a



current undersupply equivalent to 9 x 25m lanes and this is projected to increase to 14 x 25m lanes by 2036. This is borne out by the detailed analysis by SLC, though they deepen this analysis (explained below) that this is across the city as a whole for ideally balancing supply and demand.

Sports Halls are also undersupplied by a size equivalent to four badminton courts size and this shortage is projected to increase to 13 courts equivalent size by 2036. Many sports including badminton, basketball, handball, indoor cricket and wheeled sports all require space so that they can retain their existing participants and increase participation.

Health and Fitness provision, such as gym space, is generally at a good level across the city and there was no modelled shortfall in the current supply. However, the fitness market is continuing to grow and the Indoor Built Facility Strategy suggests that additional future provision should be considered. This builds upon and reflects the conclusions identified in the Assessment Report (January 2017) and Sport England's recently released five-year strategy 'Towards an Active Nation' which will target the 28% of people who do less than 30 minutes of exercise each week and focus on less active groups. These are typically women, the disabled and people from lower socio-economic backgrounds.

SLC's commentary on Health and Fitness provision confirms much of the above, also noting that the existing membership base – whilst small for a facility of the Regional Pool's type and size – serves as a good starting point for a new facility to build on. They note that a "new, well-designed facility of the right quality would be expected to capture significant market share, both by virtue of it being a new and attractive facility to potential customers, and as a result of its more extensive leisure offer (i.e. wet and dry facilities) compared with most of the local competing facilities".

The Council's strategy (and the accompanying action plan) provides a clear, coherent way forward for the management and delivery of leisure and sports facilities in Peterborough. The primary focus is to enable residents to gain access to leisure facilities to support sport and physical activity programmes that lead to increases in regular participation, taking account of the projected changes in age profile of the population in Peterborough up until 2037.

### Demand Patterns

The Regional Pool is, as noted previously, the main public swimming facility in the city. Its water space faces substantial capacity issues at peak demand times. Both the FPM and KKP's assessment report indicate a current shortfall of the equivalent of at least nine lanes of 25m swimming pool space as well as a shortfall of four sports courts (the equivalent of one sports hall). Swimming pool demand is also expected to grow by an additional five lanes up until 2036 according to Sport England's Sports Facilities Calculator. Sports hall demand is modelled to grow by nine additional badminton courts by 2036.

It is important to note that this swimming space shortfall is assessed across the city as a whole, and some of it is location driven; in other words, the gap is because there is not available space in a particular part of the city, and simply providing nine 25m lanes in one location would not address all 'local' gaps in provision. The SLC report does note that the area of single greatest need as a location is the city centre, and that is even with the existing Regional Pool facility.

The SLC report also notes that there is conflicting demand at the existing Regional Pool facility from the need for swimming lessons vs the ability to provide pool space for casual, leisure swimmers. Simply put, the demand for lessons (which are still undersupplied significantly currently) has increased to where there is insufficient space for leisure swimming in the facility. Despite the expansion of the swimming lesson programme (and an increase in income accordingly) there remains significant potential for further expansion to address undersupply, but such expansion is subject to the availability of pool space. The provision of dedicated pool

space for learning to swim is a key shortfall currently, constraining how many people can be taught to swim and constraining the opportunity for those who already do and want to swim for health and leisure to practice.

Anticipated population growth and an increase in the number and proportion of older people is thought by Sport England likely to lead to increased demand for facilities and in particular during day time hours. This will exacerbate the current under-supply of swimming provision and impact upon the level of unmet demand for sports halls (primarily due to their present limited availability during the day because of their location at education sites).

These factors seem to lead to two clear conclusions:

1. Even taking into account the current leisure provision at the Regional Pool, there is already a significant shortfall of pool space and other facilities (like sports hall space) in Peterborough, a shortfall that will only worsen as the city grows as projected.
2. The loss of the Regional Pool would dramatically worsen this provision, with significant consequences on key user groups and commensurate negative impacts on health and wellbeing.

### Local and National Strategy

Two of the Council's seven strategic priorities relate to the provision of quality leisure space, where the achievement of the former is supported by the latter. These are to "keep all our communities safe, cohesive and healthy" and to "achieve the best health and wellbeing for the city".

The Council has developed an Active Lifestyle and Sports Strategy (which is attached as an appendix to this report). Amongst other goals, the strategy aims to improve physical activity levels across the city by 38,000 people by 2023, currently 28.6% of city population do no activity, this is worse than the regional (23.5%) and national average (25.7%). Active Adults, who are those that complete 150 minutes of activity each week, make up 61% of the population in the city, which is again below the national average of 66%.

Obesity and overweight statistics for the city show that Peterborough has 62.9% of the population compared to the national average of 61.3%. It is likely that such factors contribute to the fact that life expectancy is also below the national average, with Peterborough statistics for females being 82.2yrs and males being 78.6yrs, compared to national average of female 83.1yrs and male 79.5yrs. Undertaking physical activity has clear and well-understood health impacts: Public Health England<sup>2</sup> state that physical activity (where this is completing at least 150 minutes of activity a week) will reduce risks of type 2 diabetes by 40%, cardiovascular disease by 35%, dementia by 30%, depression by 30% and cancer by 20%-30%.

Setting aside the direct physical health consequences to residents and their families, these impacts also have a positive wider economic consequence. Public Health England estimate that the high inactivity percentage in the area burdens the health services within Cambridgeshire to the value of £12.25m per year. According to Sport England<sup>3</sup>, the Economic Value added directly by sport for Cambridgeshire is £66.7m with the wider health benefits being £63.4m. It is clear that from a public health and economic perspective, leisure centres (especially public ones) have wider benefits to both the community and the public purse; assessing the benefits of health and leisure provision in isolation of such factors would not capture the full range of benefits they can offer to a city's residents, visitors, and the broader public sector they interact with (such as the NHS).

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<sup>2</sup> Public Health Outcomes Framework 2016-2017

<sup>3</sup> "The Economic Value of Sport - Local Model" (2016),

## Objectives and Definitions of Success for a New Centre

### Standards of Provision

The current levels of provision – even allowing for the gaps identified in what the Regional Pool does provide – are below the requirements for the city. It is therefore appropriate that replacement facilities extend what is currently offered against a minimum standard, where ideally that standard is nationally defined.

Sport England have produced an outline ideal leisure facility design mix. This paper was completed in 2015 and is based on what are considered ‘affordable’ public facilities. Sport England suggests for a basic leisure facility would contain as a minimum:

- Sports Hall – 4 courts, storage and dry changing
- Swimming Pool – 4 lanes x 25m, with wet changing, school changing and a teaching pool if possible
- Health and Fitness – 100 stations, 2 studios, and associated changing rooms

Given Peterborough’s shortage of pool space, it is suggested that an 8-lane pool be provided in any new facility, alongside all of the above. In addition, a broadening of the offer to increase the footfall and revenue the centre generates is considered positive, and therefore additional supplementary facilities are considered necessary, including a café. The SLC feasibility assessment considered two ‘mixes’ of facilities at a new centre, an ‘essential’ (which is viewed to be the minimum range required for a modern replacement) and an ‘optimal’ (which builds on the minimal specification and extends it). These comprise:

- **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

These mixes were validated based on meeting existing and future demand within the city, as well as addressing how a balance of facilities positively contributes to increasing income generation to support viability.

In addition, any design is likely to allow public parking to continue to be provided on site. It is for the Council to determine how this might be charged for, but it is likely that charging will take place given the existing arrangement with the current Regional Pool car park on the existing site. Pleasure Fair Meadows has, as a current surface car park, 338 spaces, and by designing the new centre so that at least some parking can be provided underneath some of the new building, somewhere between 230 and 300 spaces might be provided. It is important to note this will be sensitive to the final design and specification for a centre.

### *The 50m Pool Option*

In August 2020, SLC were asked to consider the potential benefits of a 50m pool being provided in a replacement Regional Pool facility against any downsides this would bring. Financially, SLC reviewed actual data relating to the operation of five 50m swimming pools across England to provide an indication of their typical revenue performance. Additionally, a then-recent business planning exercise undertaken by SLC had compared the operating surplus / subsidy of two leisure centre development options with identical facility mixes apart from the inclusion of a 50m vs 25m pool.

Of the facilities assessed, only one of them ran at an operating surplus (all of the others made operating losses) and importantly these **did not include** the capital and finance costs for building or buying the facilities in the first place, which would significantly worsen the financial position. SLC conclude that “50m pool facilities

rarely run at an operational surplus and so are very unlikely to be able to generate sufficient revenue to cover capital cost repayments". Given these factors, increasing the size of the pool is only likely to worsen the financial position of a replacement Regional Pool facility. This does not mean to say the Council cannot choose to do so, just that it would be doing it for providing a competition-class facility in the city at a significant cost premium that does not make a financial return. It is likely such a facility could, if necessary, be provided on the Pleasure Fair site with a floorplan redesign, but it cannot be avoided that this will materially worsen the financial performance of any facility.

#### *Hydrotherapy Pool*

The Council currently has a standalone community hydrotherapy pool – St George’s Community Hydrotherapy Pool – that provides a facility for use by children and adults with a range of disabilities or long-term health conditions to benefit their health, assist rehabilitation from surgery or injury and as a leisure facility for those with learning and physical disabilities. The hydrotherapy pool was built in 1976 and due to its age and condition is unlikely to be able to continue to operate for many more years. The facility is much-valued by its users and it was explored by SLC, at a high level, what the implications might be for its inclusion as part the facility mix options for the replacement of the Regional Pool.

Adding in a hydrotherapy pool to any new facility is not simply the case of creating some additional pool space alongside of the main facilities; the nature of a hydrotherapy pool means it has quite distinct operating and practical requirements from the rest of the facility. The inclusion of a new, 10m by 5m pool (of 1.2m in depth) was considered, with adjoining specialist changing facilities given the nature of users and potential privacy and comfort considerations. In addition to the separate pool tank and extra plant equipment, additional glazing around the hydrotherapy pool to isolate it from the rest of the pool hall would be needed. This would be necessary due to the requirement for warmer air temperature for the area around the warmer hydrotherapy pool compared with the rest of the water space provision. This isolated area would therefore likely require a dedicated air handling system to meet these requirements.

What therefore seems at first glance to be a wet facility well-aligned to provision with a new facility is therefore quite complicated to incorporate, and would certainly result in some compromises in the wider facility. These are explored at a high-level in section 5.3 of the SLC report. Even were these practical and operation issues to be set aside, the financial case is challenging: SLC’s high-level cost estimate suggests it would add *at least* £620k to the project’s capital cost. With additional borrowing costs, this facility would contribute to an increased cost without the necessary income to make it wash its face, leading SLC to conclude:

*“From a revenue perspective, there are likely to be some limited savings relative to current subsidy requirements for the existing hydrotherapy pool, but it would add to the overall net subsidy position”*

Given that there are limited operational benefits from co-location, provision of the hydrotherapy pool has not been recommended as part of the reprovision of the Regional Pool. It may well be better, for both the Council and the facility’s users, to consider a standalone facility elsewhere.

#### *Diving Facilities*

The existing Regional Pool contains a 12.5m by 12.5m diving pool. It has not been suggested this be re-provided in the new facility, primarily because of the lack of demand for diving at the existing facility. Two attempts have been made in recent years to start and promote diving clubs locally and both of these have rapidly petered out from lack of interest.

Swim England in their comments about the new facility options would support the inclusion of deep water to “cater for water polo, synchronised swimming and diving” but “recognise that there are no clubs currently delivering these activities at RFSC and the demand is low”. Design-wise, it would likely add significant cost to a new facility to provide diving facilities, this will not deliver a positive financial contribution operationally, and

this would have to be done largely on the basis of hoping ‘if we build it, they will come’; sadly, the lack of use currently does not support this presumption. Akin to the 50m pool option, it is likely a redesign of the facility proposed at Pleasure Fairs could incorporate this, but the financial case for doing so is weak.

### Customer Satisfaction

It is expected, indeed required, that the customer experience and level of satisfaction with any new facility must significantly exceed that of the existing Regional Pool. There are a number of anecdotal insights into the existing centre that have a likely negative impact on the customer experience. These include:

- Limited food and beverage choices on offer (via vending machines only)
- Limited use of digital opportunities and access, which customers increasingly expect and take for granted in modern facilities
- Dated and comparatively poor changing areas with very limited showers (only 3 in each room)
- Poor ventilation throughout
- The pool viewing gallery dated and has steps steep to get to seating
- The car park and walk to the facility are relatively poorly lit and not inviting

That the facility remains as well-used and popular as it is currently is likely more a testament to the lack of alternative provision than it is to the general levels of satisfaction with what is provided.

To assess improvement, if provision of a new facility proceeds it is suggested that:

- a) A baseline customer satisfaction study be conducted of users of all types at the existing facility that can be re-run in the new one once open
- b) In the first year of operation of a new facility, a customer satisfaction survey is undertaken to assess the new facility against the existing
- c) That customer satisfaction and feedback be part of the operating agenda of the new facility and be publicly available going forward

### Reputational

Given the identified shortfall in health and wellbeing facilities in Peterborough, reputational damage to the Council – and indeed the city itself – seems likely if the existing facility is not replaced. There is also a likely opportunity for enhancing reputation by the provision of a new facility that better and demonstrably meets the needs of the area. This will be assessed by several metrics:

- 1) Whether new provision meets minimum Sport England standards for facility range
- 2) Whether visitor numbers increase by 20% compared to the existing facility
- 3) Whether the new facility meets modern standards for environmental standards, contributing positively to the Council’s climate emergency agenda

### Commercial and Financial

The current facility is a significant cost and liability to the Council. Keeping the current facility operating effectively for the next decade is forecast to have an annual cost of about £1.3m, with part of that made up from the need to invest £6m of capital over the ten-year period. In the current financial climate, the extent of the loss and liability the facility has must be considered, as much as the timing and implications for any replacement. Specifically:

- 1) The new facility must budget for lifecycle costs and replacements based on industry metrics so that a suitable reserve is built for replacement

- 2) Any replacement should be done at the time at which it delivers the most overall improvement in the Council's financial position; that is to say, decisions as to when to replace it should be informed by (and if) the timing of that replacement costs the Council more or less

## Section 2: The Economic Case

### Business as Usual versus Re-provision

In any business case, it is always appropriate to consider what the implications would be to carrying on with the current position rather than something different. In considering a business as usual option in this situation, it is important to examine two distinct factors:

1. The extent to which the current facility adequately meets the needs of the populace
2. The implications of its current condition and the extent to which it can continue in its role

There has been substantial discussion previously in this document about the needs of the city for leisure provision, and commentary on how the Regional Pool is inadequate to the task of meeting these needs. As a summary recap, it can be said that the existing facility underprovides traditional pool space (which is in substantial demand and widely undersupplied in the city in any event), offers no family-friendly ‘wet space’ that is increasingly popular, has poor changing facilities, offers limited additional activities beyond gym-space, and has nothing in terms of a food and beverage offer to speak of. It seems clear that the current facility does not adequately meet the current, growing and changing needs of the city’s populace.

Even if the Regional Pool did meet those needs, however, the second ‘business as usual’ factor above would be challenging: its age and current condition means that

- a) The Regional Pool has a limited existing life expectancy without major refurbishment
- b) Even with major refurbishment, the nature of the building means it would be difficult if not impossible (especially in a cost-effective way) to address the gap in the scope and scale of activities offered
- c) The Regional Pool is inefficient, and the Council spends a significant sum of utility costs annually, and will need to spend significantly just to keep it open

The Regional Pool is now well-over 40 years’ old. It has delivered sterling service to the city and its surrounding areas during that time, but it is clear that it is no longer meeting those needs adequately, and nor is it capable of doing so. Change is necessary.

### Site Assessment

A series of sites have been chosen for consideration for re-provision. They have been chosen because they are known to be available now or will be in a reasonable period, are relatively close to the city centre, have or will have a significant nearby residential catchment, are likely to have sufficient space for appropriate facilities, and are within the scope of control or influence of the Council or one of its key partners.

### Assessment Dimensions

In assessing the suitability of sites, the following assessment criteria have been developed:

- 1) **Proximity to the city centre:** how close to the city centre the site is
- 2) **Ease of Access:** Whether there are strong pedestrian, cycle, and public transport links, and whether there is a significant residential demographic nearby
- 3) **Availability:** over what timescale is the site available
- 4) **Ease of control:** how closely is the Council able to influence the site’s development
- 5) **Compatibility with planning policy:** whether this use explicitly supported, likely to be compatible, or unsupported in planning terms
- 6) **Site prominence:** the extent to which the site would support enhancing the city’s profile if chosen for a new leisure centre

### Site Descriptions and Comparison

The following sites have been shortlisted for consideration. Their key characteristics are detailed below.



### Existing Regional Pool Site



This is the current site located on Bishop's Road. Although reasonably close to the city centre, it feels relatively isolated from it. Pedestrian access from and to the main city centre is good, though the lack of active uses along much of the route makes it somewhat uninviting. It has a good level of parking availability currently, with its own car park and the nearby Wirrina and Bishops Road car parks supporting it. Access by car is therefore good, and it has nearby bus stops. This site is owned and controlled by the Council, and therefore would technically be available, but it is also in the area allocated by the Council for the Peterborough University development, and re-provision of this facility on this site is likely to act as at least a minimal constraint on how that is taken forward. This is likely to be a significant barrier to redevelopment here. As the site is currently used for a leisure centre, whilst there is no specific

allocation to support this use in the Local Plan it is expected that a suitably designed scheme would find little difficulty in obtaining planning consent. The site does not have great prominence, either in relation to the city centre or any other development in the current area. That could change if as the university and wider uses on the embankment come forward, but it is unlikely to do so in the immediate future.

### Wellington Street Car Park



This edge-of-centre site is located near to a major arterial transport route into the city centre (with direct links to the A1139 Frank Perkins Parkway), and therefore benefits from excellent access by car. Public transport is somewhat less good, though there are nearby bus stops within a few minutes' walk, but the site is no worse to reach by foot than the existing Regional Pool site on Bishops Road. The site is owned by the Council, and well-used as a car park. It is earmarked for redevelopment in the adopted Local Plan, and the allocation allows for leisure uses. Its prominence as a site in its own right is good, but would be a relatively isolated development in the context of regenerating the main city centre and enhancing the overall sense of place; other sites are superior in this regard.



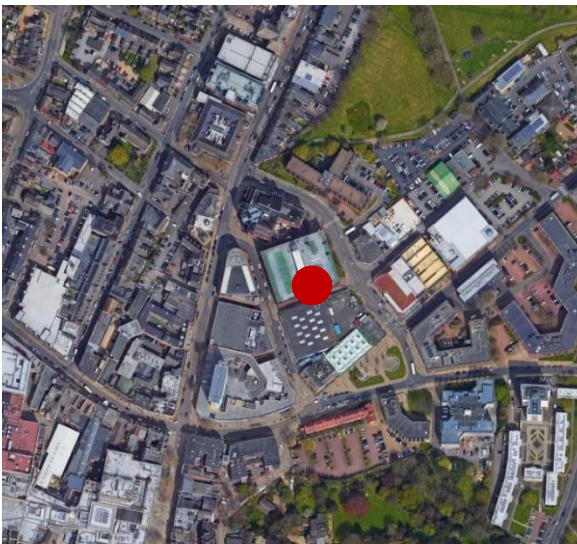
### *Pleasure Fair Meadows Car Park*



This site is located to the south of the city centre, near to the modern Fletton Quays and Vista developments. Transport access is good, with major bus connections within walking distance and a key-route bus stop immediately opposite the site. It is owned by the Peterborough Investment Partnership, which is 50% owned and controlled by the Council, and is allocated for development in the Local Plan. Its availability and ease of control is therefore very good. Its proximity to the city centre is slightly better, if not significantly so, than the existing Bishops Road site. The site is compelling in terms of prominence: its development would further strengthen the significant regeneration of the South Bank area, and it

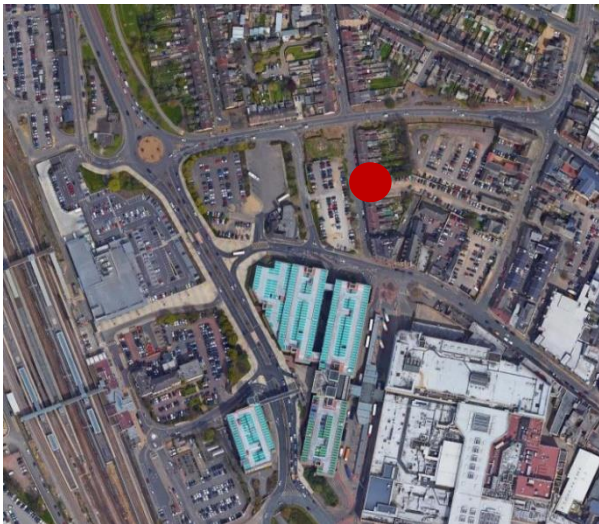
would be highly visible from the East Coast Main Line; this visibility of the site and the regeneration of the surrounding areas represents an excellent opportunity to highlight Peterborough's continued growth and success to a large audience of national train travellers.

### *Northminster*



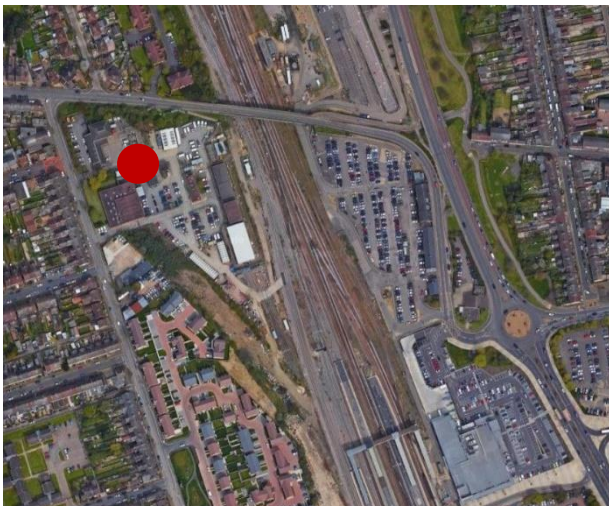
This is a city-centre site that is in the process of being transferred from the Council to the Peterborough Investment Partnership, which will bring a regeneration scheme forward similarly to how it approached Fletton Quays. The site is not immediately, therefore, available, but would be in relatively short-order. Accessibility is fair, with good walking connections to the city centre and access to the main bus station and nearby stops. The prominence of the site is relatively poor compared to others, and whilst the inclusion of a major leisure facility would be good for the wider scheme's development, it would take a significant amount of land on a site with a number of design constraints. In planning policy terms, a centre here is likely to be supported.

### North Westgate



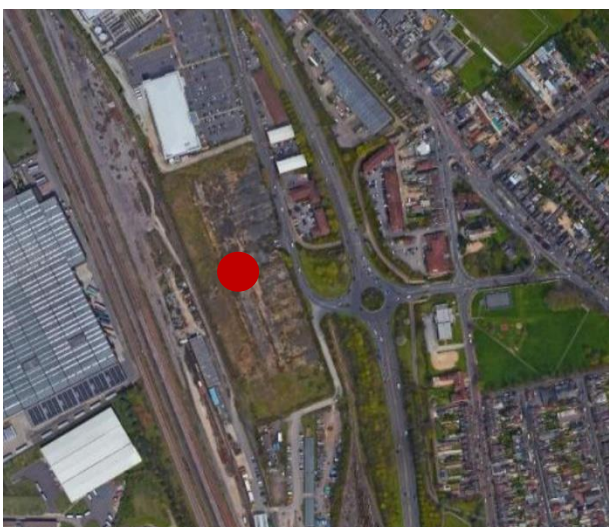
This is a key city centre regeneration site, prominently located within easy walk to the railway station and the bus station. Its car connectivity is equally good, with Bourges Boulevard leading to it. It is allocated for a major mixed-use scheme, and a leisure facility is compatible with its planning allocation. Land ownership has, however, been a complex issue as there are diverse ownerships and the Council is looking to support a key landowner in the area with its CPO powers to bring a scheme forward over time. The site is unlikely to be available in even the medium term, therefore, and the Council controls only very small elements of it currently. These represent significant constraints on using this area for this use at present.

### Mayor's Walk



Located to the west of the city centre, this site is owned by Network Rail. It has potential to become available through a series of rationalisations related to the redevelopment of the station area, though this is unlikely to be in the short to medium term. Availability and control represent a challenge to this site's suitability for leisure re-provision. An edge of centre site, pedestrian access is adequate from the city centre, though it is a benefit that it is relatively close to the railway and bus stations.

### Maskew Avenue



Located about a mile north of the city centre, the site has good vehicular connections thanks to the nearby dual carriageway. It is more isolated than the other site options, although there are pedestrian and cycle routes that connect to the city centre through a series of underpasses, and there is a relatively nearby bus stop. The site is currently for sale, but is understood to have a number of interested parties. The site is allocated for B-class uses in planning terms, and therefore use as a leisure centre is not immediately supported by the adopted local plan.



## Site Comparison Summary and Selection

The table below takes a green, amber and red approach to rating each of the criteria discussed above for ease of comparison across sites.

Site	City Centre Proximity	Ease of Access	Availability	Ease of Control	Planning Policy	Site Prominence
Existing Regional Pool	●	●	●	●	●	●
Wellington Street Car Park	●	●	●	●	●	●
Pleasure Fair Meadows Car Park	●	●	●	●	●	●
Northminster	●	●	●	●	●	●
North Westgate	●	●	●	●	●	●
Mayor's Walk	●	●	●	●	●	●
Maskew Avenue	●	●	●	●	●	●

Based on the criteria, the preferred location is Pleasure Fair Meadows Car Park. Its mix of availability, access and ease of control in particular set it apart from other sites. Northminster and Wellington Street are the next-best as alternatives.

### The Lido

The Lido was designed in 1936 and built by the City Council at a time of increased interest in outdoor swimming in the UK. It is a Grade II Listed building comprising of a main pool, a learner pool and a paddling pool, with a grassed area to the rear of about half an acre surrounded by mature trees. The Lido is owned by the Council and opens in the summer months. Its operation presents a financial challenge for the Council – as indeed do many Lidos across the country – and it makes a loss. The future of the Lido is being more widely considered in the work on developing an Embankment masterplan; it is being considered here as to whether it is practical and appropriate for a redevelopment of the existing Lido to be an alternative to Pleasure Fairs. In doing so, two types of redevelopment have been considered:

- 1) Maintaining the existing structure and pool arrangement as much as possible, whilst developing a structure to the rear that would provide a mix of facilities akin to the optimal mix on Pleasure Fair. In short, this would see the existing pools at the Lido largely remain 'as is' as outdoor pools and introduce a new, 25m all-weather pool in a new structure.
- 2) Convert the existing Lido to an all-weather facility by covering it and adding a building to the rear that would contain all of the other facilities in the optimal mix, but with no main pool. The existing main pool in the Lido would become the main wet facility in this redeveloped centre.

The rationale for considering these two, differing options is to account both for previous ideas about covering the Lido and, also to recognise that in the context of the Listing, the heritage impacts are different.

## Designs

The two options considered above have had indicative floorplans and layouts designed for them. These are provided in section form below, and have served as the basis for the costings exercise further in this section, as well as the heritage statement that considers the impact on the Listed building. Both options require significant modification to the existing structure, and notably require that the rear enclosed grassed crescent, mature trees and the paddling pool be eliminated. This is because of the four sides of the Lido, only this rear side is feasible to build a significant extension on, connecting into the main Lido.

Strictly from a design point of view, it is possible to add the proposed new Pool facility to the Lido in either of the configurations. There is adequate space to the rear of the existing facility (provided one accepts the losses of existing use already mentioned) and it is also possible to link a new build appropriately to a Listed building (indeed, this was done with Sand Martin House at Fletton Quays). The engineering challenges can be overcome provided there is sufficient finance.

A section drawing of the two options is shown below. This highlights the scale of modifications necessary to accommodate the mix of uses. Option 1 (top) introduces a new-build component of about 17m in height to the rear of the Lido, which for the most part is only 6.5m to 7m in height; Option 2 (bottom) is lower in height at about 13.5m because of the absence of the additional 25m pool and associated pool hall.



### A note on a competition-class 50m pool

Part of the historic interest locally in the city having an all-weather 50m pool has come from the ability for this to be a venue for competitions, for which the nearest alternative is in Corby. The existing main pool at the Lido is almost long enough for this, but inadequate in width: it is only around 18m wide. The requirements for a 50m competitive pool specify a width of 21m is needed. This is based on an ASA (the UK's Amateur Swimming Association) regional and national competition class standard. The existing pool is also too shallow to meet this standard (c0.9m instead of the minimum 1m depth), though this could potentially be addressed during refurbishment by digging out additional depth.

Given the deficit in width, widening the Lido sufficiently to allow it to meet competition-class requirements is problematic without eliminating the learner pool. This is because there is insufficient space to dig out the required width, accounting for space for pool surround offsets. In any event, such remodelling of the main pool would have large cost implications, nearing £10m.

## Legal Constraints

A high-level review of the land title associated with the area to the rear of the Lido has been conducted. The Council owns this land. However, the review has revealed some restrictive covenants that have the potential to cause problems to the development of an extension. In particular, there is a restriction that requires:

*“any buildings on the Yellow Land must be first approved by the surveyors for the Ecclesiastical Commissioners for England (“Commissioners”) and by the Lord Bishop of Peterborough”*

For avoidance of doubt, this restriction applies to the whole of the land to the rear of the Lido. It is not 100% clear how enforceable this restriction is or who has the benefit; it might be presumed to be the Ecclesiastical Commissioners, given the restriction. This type of issue can often be addressed by insurance, but it is unclear whether this would be possible here because the title restriction is relatively recent and the most likely beneficiary is known to be active in enforcing such rights.

If this right proves to be sound and if insurance is unobtainable, the Council would need to approach the Commissioners for a Deed of Release prior to commissioning any new build of the area. This might be a lengthy – and potentially costly – negotiation.

### *The Listed Status*

A heritage assessment of the structure, its current national Listing, and the impacts (and possible mitigations) of the options presented above has been undertaken by a specialist planning consultancy, ELG Heritage. In considering the nature of the Listed building, attention has been highlighted to the *basis* of the original listing; that the building’s ‘significance’ in heritage terms comes as much from setting (its historic interest and local context) as it does the architectural factors of the physical structure.

This is important, because (as the consultants note) the “Lido building is illustrative of the fashion for outdoor swimming during the inter-war years”, and that “historical interest derives from the design of the building by a combination of local architects who gave their time freely to the City of Peterborough, in recognition of the provision of such a beneficial facility for the community”. Changes to the nature of the Lido (i.e., eliminating its outdoor characteristics and making significant structural modifications) will, by their nature, undermine part of the basis of the Listing.

In considering the architecture, the Heritage consultants note that:

*“The scale of the architecture is quite domestic, and the low height allows for views over the top towards the north and to the south. The simple clean lines of the building are a striking feature within this landscape as they are set within a wide-open setting, the character and appearance of which contributes to the significance of the Lido as a leisure destination for the enjoyment of outdoor facilities....The pool and seating areas are all external spaces which are a key characteristic of the Lido building.”*

In that context, any new addition along the scale in the designs will materially impact the setting of the Lido in a negative manner. This can be mitigated through careful design and material selections (which has been considered, but would increase costs). However, it is unlikely the impact of introducing a 8,000 square metre structure could be eliminated completely. In particular, the introduction of a fixed or retractable roof over the Lido in order to make the main facility suitable for all-weather use would have a “substantial harm” on the facility in the view of the planning consultant.

Whilst the potential options for the Lido as a redeveloped leisure centre are early stage designs, it is clear from the heritage assessment that these options have three main areas of potential to cause substantial or moderate harm to the setting of the Listed building:

- 1) Any roof over the open-air structure would fundamentally alter the character of the building and how it is experienced; this is likely to have a significantly adverse impact on the Lido.
- 2) Any extension to the rear will eliminate the crescent and the range of mature trees to the immediate east of the structure, having a moderate adverse impact, and the scale and dominance of any new structure will introduce a dominant rear addition, also with moderate adverse impacts.
- 3) There would be moderately adverse impacts on a range of views towards the cathedral.

It is not the case that causing such harm automatically prevents redevelopment; the National Planning Policy Framework allows for a balanced view where the provision of substantial benefit can offset substantial harm. Demonstrating this is a tall test, however, and requires demonstrable consideration of a range of alternatives. It is possible to mitigate some elements of concern through high-quality design and the use of appropriate quality materials to reduce adverse impact, though these both necessarily increase cost.

In summary, there are a wide variety of heritage impacts from both of the design options considered, and it is particularly difficult to see how enclosing the Lido could be justified. Whilst individually it is possible to argue that the public benefits of investment in the facility might outweigh individual adverse impacts, the collective effects (even with mitigation through design and materials) are likely to remain negative overall. This could present significant challenges in Planning terms to obtaining the necessary Listed Building Consent for either of the modifications to be implemented.

#### *The Embankment Masterplan*

The emerging Embankment masterplan considers a range of intensified uses of the Embankment space, including the phased delivery of the university campus. The masterplan work is at a very early stage, and the thinking behind it is broad and subject to change. The intensified development use currently being considered sees a consolidation of green space, and whilst the options for a new Pool at the Lido could be considered work within the masterplan, it would be clear that they would reduce the green and events space available because of the need to accommodate a substantial footprint for an extension to the Lido.

#### *Headline Costs and Construction Constraints*

The costs of construction for both options have been assessed by Philip Pank Partnership (PPP). PPP have experience in this area, and are working on a leisure centre currently in Hillingdon. A summary of PPP's costs and the basis for each option is provided below. It is important to note these figures are not directly comparable to the costs later in this report for Pleasure Fairs. This is because of a range of factors:

- a) the costs here are *construction* costs, or what the Council might expect to pay if it tenders a build contract and manage this process – and the risks – itself, whereas on Pleasure Fair these factors are handled and the responsibility of PIP;
- b) these costs do not take into account costs for the initial professional fees needed to take a scheme through planning, or the costs of letting a construction contract or managing its implementation, and these might easily add towards the order of £1m to the cost;
- c) these options will likely leave the Council with a higher risk exposure to cost variance than through an arrangement for a straightforward new-build because of the presence of a Listed structure
- d) Whilst the cost of Option 1 is broadly similar to the likely overall cost for purchasing the Pleasure Fair scheme, because of how PIP is owned, the Council would likely receive a revenue dividend as a profit share of between £1m and £2m, reducing the actual net cost and making that the better option;

The contract procurement option is more problematic than might be expected; this is partly because (in PPP's experience) the construction market for leisure centres prefers a two-stage approach (which increases cost risk and uncertainty over the life of the project compared to single-stage) and because the presence of a Listed building is more likely to lead to a negotiated form of contract, which has the same negative implications.

For Option 1 (the non-roofed option), *construction* costs were projected to be in the range of £36m to £38.5m. This is based on a base cost for the ‘raw’ facilities based on known costs per square metre, with consideration then given to a broad range of necessary considerations that add further cost that are ‘abnormal’ and relate specifically to working on this site, including:

1. Provision for measures to protect the Listed building during construction
2. Provision for off-site services / incoming services / diversions
3. Provision for basement works for the pool and filtration facilities, keeping the facility lower in height
4. Provision for car park decking to provide additional spaces to support the centre
5. Provision for material enhancements and the structure for linking the new-build to the Lido, reflecting its Listed status
6. Provision for landscaping and public realm in the area around the extended facility post-completion

For Option 2, costs range from £43m to £52m. The additional provisions above continue to apply, but there are two main additions: there would need to be significant reconstruction of the existing Lido pool for it to be the main pool in the facility rather than just an additional, outdoor leisure pool, and the cost estimate for the roof itself was also significant, with the potential to increase further for it to be retractable. (Retractability was suggested as a potential part-mitigation for enclosure by the Heritage consultant, though they were not confident even this would adequately mitigate the substantial harm of roofing structure to the Lido in the context of its listing as an ‘open air swimming pool’.)

### *Conclusions*

The Lido is a valued, historic asset in Peterborough, but it presents a financial and maintenance challenge to the Council. The Council is not alone nationally in this. Whilst it is conceivably possible to combine a significant extension to the Lido that would widen the range of uses for visitors, the challenges and costs with maintenance and operation of the existing Grade II Listed structure would remain, and the co-location would not reduce noticeably operating costs across the facilities. (For example, maintaining two entrances during the summer months when the outdoor pool is likely to be used, and additional life guards for that period.) There are also significant practical downsides:

1. There are substantially negative heritage implications to the Lido are from any modification, and enclosing it to become an all-weather pool fundamentally changes what the Lido is.
2. The reduction of ‘green lung space’ and removal of well-established, mature trees would be a loss for the city centre, and is inconsistent with the Council’s environmental and climate change aspirations.
3. The cost of extending the Lido to match the mix of facilities recommended and that the city deserves is likely to be more when all factors are taken into account – and for a roofed option, significantly more – than the Pleasure Fair option. By not retaining Pleasure Fair as a revenue generating car park, the Council will also lose about £120k a year of parking revenue annually.
4. Any redevelopment of the Lido is laced with uncertainties and risks for the Council, from the process of obtaining planning, through to design, through to tender and construction contracts and pricing.

Securing the Lido’s long-term future is important for the city and the Council. Delivering at best marginal cost savings, increasing development and costs risks, sacrificing significant green space and having substantial negative impact on the core Listed facility means that it is clear, however, that this not the way to do it.

### *Strategic Value Proposition of Re-Provision*

At an outline level, there are two key economic metrics:

- a) The economic impact directly to the Council

b) The economic impact on the city and surrounding areas through health and fitness impacts

In terms of the former of these points, the costs of the 'business as usual' position have been highlighted earlier in this document. It is clear these are substantial, predicted to be about £1.3m per annum over the next decade. It is also clear that the main option that would avoid costs of reprovision would involve the Council taking the decision to allow, at some point, the existing Regional Pool to close and accept the loss of public amenity this would create. The detail provided elsewhere in this report about already unmet demand for water and other types of public leisure centre space highlight the significant consequence of such a choice. SLC have modelled a range of options, including running the exiting Regional Pool to 2031 and then replacing it, and replacing it now on Pleasure Fair Meadows car park. They conclude that:

*“Assuming that the Council agree that there is a strategic need to replace the facility at some point and that it would be unacceptable to allow the facility to close without replacement, best value would be achieved by making that investment immediately rather than sinking further cost into sustaining an old, inefficient and suboptimal facility.”*

Comments on the latter of these two points above have been made on page nine in the section on Local and National Strategy.



## Section 3: The Commercial Case

This section outlines the mechanism by which the objectives for this project will be achieved, and how this approach is both appropriate and manages risk for the public purse. A key factor is that the site selection activity has concluded that, on balance, Pleasure Fair Meadows Car Park offers the best location for a new facility. This is owned by the Council's joint venture regeneration vehicle, the Peterborough Investment Partnership (PIP), and it therefore necessitates that the Council to work with that vehicle on the delivery.

### Delivery Options

There are three main delivery options for a leisure scheme on Pleasure Fairs.

- 1) The Council could look to acquire the site back from PIP once PIP has obtained planning consent, with the Council then procuring a contract for the build of the centre in the normal way through a public procurement framework or other OJEU-compliant process.
- 2) The Council could contract with PIP for the delivery of the centre, where the Council takes a long-term lease on it over (perhaps) 30 years, once PIP has secured planning consent and subsequently built the asset out.
- 3) The Council could contract with PIP for the delivery as in option two above, but on a pre-purchase basis so that the Council owns the site and physical asset once it is completed.

Option one is considered suboptimal for all parties. For PIP, whilst it limits risk to obtaining planning, it necessarily would be giving up a fair level of developer profit. For the Council, the delivery risk is transferred entirely back to it, it will not have an 'end to end' solution (where one party is responsible for taking a scheme through planning and then implementing it), and it will have to manage a potentially time-consuming and costlier procurement process.

Both options two and three are viable for PIP as a developer. Indeed, the second option is attractive in the wider marketplace because PIP would very likely want to sell the lease on the marketplace (funds like L&G, Aviva and others who are looking for secure, long-term investments are likely to be interested), and this would make a good return for PIP. The Council could benefit from this because of its co-ownership of PIP, but it must be borne in mind that a lease of this kind will represent a substantial revenue commitment over a long term, likely with inflationary costs built in. The Council will also not likely own the asset or site at the conclusion. Option three would therefore seem the most mutually beneficial delivery mechanism, conceptually speaking.

### Delivery Methodology and Risk Allocation

The delivery methodology for option three above is relatively simple: the Council will agree to pre-purchase a completed scheme providing it meets a pre-agreed specification. PIP would be responsible for securing an appropriate planning permission in the usual way, as with any developer in the city, and it would be responsible for contracting with a construction firm and managing the build process. The risks associated with these processes will, largely, rest with PIP. Even once the building is handed over to the Council for operation, PIP will likely remain responsible for snags as is normal practice for a period of time. (PIP is very likely to pass some of this associated risk on to its subcontractors, but from the Council's viewpoint these remain PIP's.)

PIP is taking the development and planning risk. An exception to this, as is entirely normal in such situations, is where the Council wishes to change the specification in some way post-contract. The intent is to avoid this for numerous reasons, helped because the specification suggested by PIP already is consistent with exceeding the minimum requirements suggested by Sport England. Nonetheless, it should be borne in mind that changes from the Council would likely result in unavoidable price increases. The contractual arrangements would ensure this is handled fairly and openly.

It is worth noting that this will not be the first contractual relationship between the Council and PIP. The Council was the contractor for the delivery of the spine road and core utility infrastructure on Fletton Quays. Whilst roles were reversed, there is a successful history of this kind of contractor relationship between the two parties.

### Key Likely Commercial and Contractual Factors

Given the proposed approach, it is clear that the purchase price of the centre that the Council pay to PIP will be a primary importance. Based on what is known currently, this is likely to be between £26m and £28m for the essential mix specification and £38m to £40m for the optimal. In addition to price itself, the following factors (not exclusively and as a minimum) will need agreeing:

- a) Specification
- b) Agreed timetable
- c) How delays are handled and penalty conditions
- d) Payment structure and terms
- e) A transparent approach to variations

### Leisure Centre Contractual Arrangements

Assuming that Cabinet and Full Council approve the necessary decisions and delegate appropriate authority to relevant officers, there will be significant work to ensure the contractual arrangements between the Council and PIP are in place and sufficiently robust and fair to both parties. The likely 'suite' of documentation that will need developing would include:

1. Specification: a detailed specification for the final leisure centre so that both parties know what is expected and what will be provided to what standards
2. Purchase contract: the overarching agreement under which the Council will agree to buy the completed leisure centre from PIP (or a PIP SPV)
3. Finance arrangements: the Council, as a partner in PIP, may wish to fund the development of the leisure centre, where its own purchase pays back this finance and interest on this finance; this may or may not be of interest or necessary, but appropriate documentation (as was the case with its investment of land in the Fletton Quays project) will be needed if this route is taken

### Overall Outline Project Timeline

Whilst an outline timeline for a new leisure centre on Pleasure Fair Meadows car park can be – and is – provided, it is important to note that this is indicative, and necessarily timescales are subject to refinement and change based on activities at earlier points. The timeline below therefore provides an indication of the likely duration and stages of the project, rather than being absolute in nature. There are comments underneath each item highlighting key constraints or potential risks for slippage.

1. Council Decision Making and Governance Approvals: December 2020  
*This assumes Cabinet and, subsequently, Full Council approval of the budget variation needed to fund the replacement arrangement with PIP.*
2. Contractual Process Between PIP and PCC: By end Q1 2021  
*Three months is a very tight timeline in which to develop both a specification and the other contractual arrangements and documents necessary for this approach; whilst PIP is likely to lead document production in order to expedite this, the timeline is nonetheless ambitious. Q2 2021 is just as likely.*
3. Submission of Planning Application: Q3 2021  
*It is highly likely this will be an outline planning application, and it is felt that this can be comfortably developed and appropriately consulted on within this six-month window; clearly, slippage in previous stages is likely to negatively impact this one.*

4. Planning Determination: Q4 2021  
*The Council will assess and determine the planning application, as Local Planning Authority, in precisely the same way as when approached by any other developer.*
5. PIP Construction Procurement: Q4 2021 / Q1 2022  
*This process is likely to begin before planning consent is obtained, but will only be concluded once consent is granted. There are a number of routes open to PIP for this, and it is too early in the process to determine which is best overall at this stage.*
6. Start on site: Q1 2022  
*Assuming a successful and timeline procurement process completes, start on site in the timeline indicated above could be sometime within January through March 2022.*
7. Hand-over to PCC of completed build: Q3/Q4 2023  
*This assumes an eighteen-month programme for the construction, starting in Q1 2022; this will vary depending on the final specification, and it is not expected to be less than this.*

## Section 4: The Financial Case

The SLC feasibility report assesses in detail the financial performance of a new leisure centre, under a range of operating models. It is not intended to replicate that here; rather, it is to provide a high-level precis of the depth and range of factors that have informed the financial assessment behind the headline numbers. This is intended to provide comfort towards the robustness of the underlying approach. The reader is reminded that the SLC report is provided as an appendix to this report. SLC have, as is entirely appropriate for this type of feasibility, taken a robust and prudent approach to modelling both costs and income; for income in particular, it is better to be conservative and subsequently allow scope to over-perform than be optimistic up front.

### Purchase Costs

The exact purchase cost will emerge from detailed design development, the specification, and other factors, but based on SLC's forecasts the two mixes are likely in the range:

- £26m to £28m for the essential mix
- £38m to £40m for the optimal mix

Clearly, it is preferable for all parties that a quality facility be provided as cheaply as possible. It should be noted that the purchase cost is made up of a range of factors, including:

- 1) A quantity surveyor's estimates of the construction costs for both mixes
- 2) Provision for professional fees
- 3) Provision for financing costs associated with the development
- 4) A developer profit margin
- 5) Provision for the land value

The inclusion of all of these is normal, market practice for schemes and transactions of this type.

### Operating Costs

Detailed operating costs have been modelled by SLC for the different mix types. These take into account assessments and industry standard estimates for factors like:

- a) Staffing costs, which are by far the biggest cost component operationally
- b) Repair and maintenance, including provision for major lifecycle replacement needs
- c) Water and other utilities
- d) Equipment
- e) Cost of sales
- f) Cleaning
- g) Marketing
- h) Insurance
- i) IT / Admin / Legals / Licenses
- j) Irrecoverable VAT
- k) Capital equipment replacement fund

### Operating Income

#### Core Facility Income

Detailed modelling of income streams has been undertaken across both the essential and the optimal mix feasibility models. Key factors accounted for in this modelling are:

- a) Opening hours, assumed to be 06:30 to 21:30 Monday to Friday, and 08:00 to 18:00 at weekends
- b) Pool income, for both main and learner pools, and including an assessment of swimming lessons

- c) Health and fitness gym income
- d) Studio income (for yoga, Pilates, etc)
- e) So-called 'secondary spend', where people use café or vending machine facilities whilst there

For each income stream modelled, SLC have explained the rationale used for their number selection.

### Parking Income

In addition to the income modelled above by SLC, the parking income from the site needs accounting for in the broader modelling for the Council's business case. There are two factors that need accounting for:

- 1) That Pleasure Fair Meadows car park delivers (using the average of the last two years) about £110k of income per year. The HaskoningDHV city centre parking review noted that it was on average only used to 40% of current capacity, and even at peak times only about 60%. Even with a reduction from the current 338 spaces to accommodate the new leisure centre, it is highly likely income levels can be maintained. Indeed, increased income is likely because of the leisure centre and other developments in the area, such as the new hotel and passport office at Fletton Quays.
- 2) That Pleasure Fair Meadows car park is allocated for redevelopment in the Council's adopted Local Plan and that if it is redeveloped then it is near-certain that the Council will lose the existing income from the site, because it will no longer be a public car park.

Because of the second point above, the Council's "do nothing" case where the Regional Pool is not provided on this site will see a loss of the £110k of income; with the re-provision on Pleasure Fair, it maintains – and likely extends – this income stream. The net positive income impact of a leisure centre on Pleasure Fair is therefore at least £220k, and it is easily conceivable that additional income as noted in bullet one above could lead this to £250k per annum. This contributes helpfully to the leisure centre project bottom line.

### Additional Revenue Sources

The SLC work, whilst detailed and thorough, was confined to the operations of and income for a leisure centre. There has already been mention of the need to account for car parking income and this materially and positively supports the financial viability of a new centre. In addition to this, however, are a range of potential income streams that the Council may, and likely should, explore as the centre is developed. They are not included here, but are highlighted as avenues to explore that could improve the financial position further:

1. Amazon Locker / Other Pickup Point Services
2. Naming Rights
3. Advertising

Advertising in particular has significant potential; the site faces the East Coast Main Line, at a point where mainline services slow down and often stop before entering or travelling through Peterborough Station. The opportunity of advertising on one wall of the facility – even if it is largely city promotion – sensitively undertaken could yield benefits.

### Summary Position

SLC have modelled a range of options over 15 years to help the Council understand how these financially compare. These there are four base models:

- 1) No replacement
- 2) Running the Regional Pool for ten years and replacing it in 2031
- 3) Replacing it now with the essential mix option
- 4) Replacing it now with the optimal mix option

They have also examined the potential impact of the Council running the facility itself through a Local Authority Trading Company, or traditionally procuring an operator. The comparison is below.

Options Comparison - 15 2031	No		Essential	Optimal	2031	Essential	Optimal
Year Total	Replacement	Replacement			Replacement		
Replacement Facility	External	LATC	External	External	LATC	LATC	LATC
Operating Model							
Income	£29,095,971	£11,965,838	£44,679,443	£64,200,755	£27,386,663	£40,610,799	£58,179,980
Expenditure	£28,938,187	£15,587,838	£34,286,612	£45,905,679	£29,304,852	£35,117,449	£47,135,340
<b>Operational Surplus /</b>	<b>£157,784</b>	<b>(£3,622,000)</b>	<b>£10,392,831</b>	<b>£18,295,076</b>	<b>(£1,918,189)</b>	<b>£5,493,351</b>	<b>£11,044,640</b>
Other Costs	£4,943,398	£2,887,288	£5,689,357	£8,031,915	£5,547,885	£7,079,263	£10,117,663
Capital / Lifecycle Costs	£14,663,861	£6,676,097	£14,784,893	£21,577,023	£14,663,861	£14,784,893	£21,577,023
<b>Net Surplus / (Subsidy)</b>							
<b>incl. capital</b>	<b>(£19,449,475)</b>	<b>(£13,185,385)</b>	<b>(£10,081,420)</b>	<b>(£11,313,862)</b>	<b>(£22,129,935)</b>	<b>(£16,370,805)</b>	<b>(£20,650,047)</b>
Saving compared with 2031 replacement	n/a	£6,264,090	£9,368,055	£8,135,613	(£2,680,460)	£3,078,670	(£1,200,572)
<b>40-Year Net Surplus /</b>	<b>n/a</b>	<b>n/a</b>	<b>(£17,767,335)</b>	<b>(£12,771,278)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

The assessment reveals that the Council is better off replacing the facility now than waiting, and that even over a fifteen-year period there is relatively little difference between replacement with the essential or optimal mix.

SLC's financial modelling for the bottom-line position for the Council proceeding to pre-purchase the two facility types are below. This takes into account the adjustment for parking revenue as described above.

- **Essential Mix:** based on a purchase price of c£26m, a net annual loss in the first 15 years of c£350k per annum; over the 40-year life<sup>4</sup> this might reduce to an annual loss of £100k on average
- **Optimal Mix:** based on a purchase price of c£38m, 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 cost-neutral.

SLC conclude that: "of the two facility replacement options, there is little difference in the total cost over 15 years with the Optimal option being slightly more expensive over the period. This option does, however, provide a much more significant level of provision for a relatively small increase in overall cost, so the Council should consider this to be the best value option. This is further supported by the fact that over a longer period, the Optimal option is likely to prove to be a less costly option than the Essential facility mix, as demonstrated by the extrapolation of costs over a 40-year period".

<sup>4</sup> 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.

## Section 5: The Management Case

### Current Management Approach

Until the end of September 2020, the Regional Pool was one of a number of leisure facilities operated on behalf of the Council by the Vivacity Leisure Trust. This contract was due to terminate in 2035. However, as a result of the impact of Covid-19 on their leisure operations, Vivacity relinquished their management contract on the grounds that it was no longer financially viable to continue operating independently. With effect from 1<sup>st</sup> October 2020, Vivacity Leisure became established as a trading arm of the Council under the holding company Peterborough Limited, who also have Aragon Direct Services as another arm to their business.

All staff from the Vivacity Trust were subject to TUPE arrangements over to Peterborough Limited and are and will continue to deliver key services whilst a review takes place over the coming months to ensure the company can become financially sustainable on a long-term basis. Due to Covid-19, only limited facilities and services are currently operational. The reopening up of services and relaxation of Covid-19 protocols will take place in line with government guidance on public health for the duration of the current Pandemic. Peterborough City Council will work closely with Peterborough Limited to support the transition of Vivacity Leisure to a stable operational position managing its future developments to ensure it can become sustainable and retain its position as a supplier of leisure services for residents within the city.

### Industry Standard Options

In terms of moving forward, there are three primary approaches that Councils use around the UK for the management of leisure facilities, which are described in outline below.

#### External Leisure Trust

Often a new charitable trust is established, the assets leased to it on a long-term basis and the trust operates them on a non-profit approach. The Council is familiar with this approach through the Vivacity arrangements, which recently ended with Vivacity ceasing to trade. It is unlikely the Council would wish to proceed on this basis again in the context.

#### Third-party Contractual Arrangement

Procuring a specialist external operator through the normal open and transparent tender processes open to the Council is also a common approach. In these cases, specialist companies are paid to operate facilities – either all of them or specific individual facilities – on behalf of the Council. The current ‘flux’ in the market as a result of uncertainty to do with Covid-19 makes offering something for tender in this way more complex and uncertain than it would be usually, but this may pass in the short to medium term.

#### Self-Management through a Local Authority Trading Company (LATCO)

As Peterborough Limited currently does, it is entirely possible for a LATCO to manage these services on its behalf, operating them on a commercial, arm’s length basis. This could be the Council’s preferred long-term solution to management. SLC’s assessment, based on their experience nationally, suggests this approach can be more costly than a third-party, external operator. They comment that:

*“The modelling clearly indicates that external management by a multi-site provider would be the most financially advantageous operating model. However, the Council may wish test this further through a more detailed options appraisal which considers the whole of the Council’s leisure portfolio and which also assesses the non-financial implications of different management models.”*

### Recommended Next Steps

Whilst this business case needs, necessarily, to consider how any future centre is managed, it is not for this document to determine how the Council's leisure facilities are operated. Both the existing Regional Pool and any replacement would become part of the Council's 'leisure estate', The financials for the business case therefore include a 'provision' for an external management contract where this value is based on industry standard and SLC's experience-tested cost metrics; it is not suggested that this is necessarily how the centre is managed, but it was necessary to include an appropriate amount to make the financials robust.

The management of any replacement facility should be actively considered as part of the Council's wider strategy for replacing its previous Vivacity-contract arrangements in the longer term.



## Business Case Conclusions and Recommendations

To summarise the key points of this document:

1. There is a clear, demonstrable and evidenced need for increased leisure provision in the city compared to existing levels, which is supported by the Council's existing policies and strategies, detailed analysis by SLC, and the views of external national bodies like Sports England and Swim England.
2. It is neither in the city's nor the Council's best interests to continue investing into the existing 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 natural life, after decades of service to the city, and its closure without a replacement would have significant negative impacts on the well-understood existing undersupply of pool and other leisure space.
4. Development of the Pleasure Fair Meadows site offers an opportunity to replace the Regional Pool in a timely fashion with a modern, fit for purpose centre in keeping with the needs of the city, and it is financially advantageous to the Council to do so now compared to delaying this action.
5. Given the extended range of facilities within the Optimal Mix and that its annual subsidy requirements over fifteen years are of the same order as the less well-equipped Essential Mix, the best value proposition despite the increased capital cost is the Optimal Mix option.

The clear recommendations of this business case are that:

- e) Further investment in the Regional Pool should be avoided, in favour of the provision of a new facility
- f) That facility should be specified in line with the Optimal Mix detailed in this paper
- g) Pleasure Fair Meadows represents a timely and highly appropriate site for the new facility
- h) The Council should work with the Peterborough Investment Partnership to develop this facility there

## Appendix One: Regional Pool SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Well-used, popular pool facilities</li> <li>• Successful Swimming Club</li> <li>• Good Swim Academy membership levels</li> <li>• Athletics track present on-site</li> </ul>	<ul style="list-style-type: none"> <li>• Pool facilities are at capacity</li> <li>• Poor location and visibility</li> <li>• Dated and uninviting facility (1976)</li> <li>• Limited activities and facility mix</li> <li>• Very limited food and beverage offer</li> <li>• Inefficient energy management &amp; significant annual utility costs</li> <li>• Poor Carbon Footprint</li> <li>• Customer Journey and facility layout</li> <li>• Changing rooms and lack of showers</li> <li>• High pool staffing levels due to pool layout</li> <li>• Reputation of being a tired old local authority facility with no investment</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Population growth of Peterborough</li> <li>• Management operator</li> <li>• Increased footfall and membership</li> <li>• Health and Wellbeing – Public Health remits</li> <li>• Funding to support 3G pitch on top of facility through Football Foundation</li> </ul>	<ul style="list-style-type: none"> <li>• Competition (Local)</li> <li>• Competition (Private)</li> <li>• New independent facilities</li> <li>• Current facility will require major refurbishments in the medium term if not replaced</li> <li>• Loss of members and income due to condition of facility</li> </ul>

## Appendix Two: Provision in Comparator Towns and Cities

<b>City / Town</b>	<b>Operator or inhouse managed</b>	<b>Population</b>	<b>Number of 25m Public Pools</b>	<b>Additional Private or Dual Use Pools</b>
<b>Peterborough</b>	Vivacity	200,000	<b>1 x 25m pool</b>	1 x 25m pool member only and 1 x 25m dual use along with private member only 25m pools
<b>Derby</b>	Local Authority	256,000	<b>3 x 25m pools (1 x 50m being built to replace 2 x 25m pool)</b>	Private member only 25m pools within the city
<b>Northampton</b>	Trilogy Trust	225,000	<b>3 x 25m pools</b>	Private member only 25m pools within the city
<b>Luton</b>	Active Luton	222,907	<b>1 x 50m pool 2 x 25m pools</b>	Private member only 25m pools within the city
<b>Swindon</b>	GLL	192,599	<b>3 x 25m pools</b>	Private member only 25m pools within the city
<b>Milton Keynes</b>	1Life	185,000	<b>3 x 25m pools</b>	Private member only 25m pools within the city
<b>Oxford</b>	Fusion Leisure	165,000	<b>3 x 25m pools</b>	Private member only pools available
<b>Norwich</b>	Places Leisure	150,000	<b>1 x 50m pool 1 x 25m pool</b>	Private member only pools available
<b>South Kesteven</b>	1Life	141,660	<b>1 x 25m pool</b>	1 x 25m dual use pool 2 x leisure pools
<b>St Albans</b>	1Life + SLM	87,000	<b>2 x 25m pools</b>	Private member only pools available
<b>Corby</b>	Local Authority	62,400	<b>1 x 50m pool</b>	No others

## Appendix Three: SLC Feasibility Report