

SUBJECT:	<i>Redevelopment of the Chiltern Pools and adjacent Community Facilities</i>
REPORT OF:	<i>Cllr Mike Stannard, Support Services Portfolio Holder Cllr Liz Walsh Community, Healthy Communities Portfolio Holder</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

To update members on the evolving design, cost plan and business case to re-provide a combined community and leisure facility in Amersham serving the whole of Chiltern District, and to seek agreement to develop and submit a planning application for the King George V Road/Chiltern Avenue site. This will enable the project team to progress with the RIBA Stage 3 Developed Design phase, also working up the cost plan and business case to a further level of detail, whilst commissioning surveys required to inform the planning application.

RECOMMENDATIONS

- 1. To note the findings of the current version of the design proposals and business plan to re-provide a combined community and leisure facility in Amersham.**
- 2 To agree the facility mix incorporated in the current design proposals and detailed in Appendix 1.**
- 3 To delegate the decision to the Director of Services to submit a detailed planning application for the proposed leisure and community centre.**
- 4 To delegate authority to the Director of Services, to undertake a feasibility study of the development opportunities offered by the release of the existing leisure and community sites (the existing site) and subject to an outline business case, to submit a planning application for that site at the appropriate time.**
- 5. To delegate authority to the Head of Environment and Head of Legal to carry out due diligence to identify and take steps to address any legal constraints for the proposed leisure and community centre project.**

- 6. To authorise the Head of Healthy Communities, in consultation with the Support Services Portfolio Holder to draw down up to £500,000 of funding from the Council Reserves to enable an outline business case, and planning application of the existing leisure and community sites (the existing site) to be determined.**
- 7. To authorise the Director of Services to agree the maintenance arrangements for the land to be transferred to Amersham Town Council.**
- 8. To authorise the Director of Services to agree the provision of replacement outdoor leisure facilities to be managed and owned by Amersham Town Council following the transfer of the section of King George V Playing Fields to be developed to the District Council.**

2. Executive Summary

- 2.1 Following overwhelming support from the community, the proposals to redevelop the Chiltern Pools and adjacent community facilities have now concluded the RIBA Stage 2 Concept Design and moved to the Developed Design stage. This design stage will provide the necessary information to support, develop and submit a detailed planning application.
- 2.2 The Council has been supported through this process following the appointment of the project team of Cost Consultant (Appleyard & Trew), Project Manager (Hadron Consulting Ltd), Lead Design Consultant & Architect (Space & Place), Mechanical & Electrical Engineers (Desco Ltd) and Structural & Civil Engineers (Engenuity). Appointments for a Planning Consultant and Transport Consultant are being concluded.
- 2.3 The concerns raised through the consultation; parking, accessibility, size and scale of the building close to residential areas, the provision of temporary facilities during any development and the protection of the historic barns have been addressed through orienting the building along King George V Road.
- 2.4 The Stage 2 Report confirms the preferred approach to develop a single facility incorporating a range of leisure activities and a spa alongside the community facilities to enable income generation over a 40 to 45 year period, funded via the Public Works Loan Board and enabling development. To determine the extent and nature of any enabling development of the current Chiltern Pools site a feasibility study and outline planning application is required.
- 2.5 Amersham Town Council has provided strong support enabling the project to proceed by agreeing with the Council and Fields in Trust to swap land on the King George V Playing fields and increase the protection for a number of open spaces within Amersham.

2.6 The increased range of community and leisure activities would support the District, County and Sport England's drive to increase physical activity across the population with particular attention on those who don't currently participate. The centre would also support a range of activities assisting those at risk of social isolation, or with disabilities or aging to participate, assisting the aims of supporting a healthier community. The indirect benefit of a healthier lifestyle reduces the public sector costs arising from long term health conditions, loneliness and social isolation. A key target group for the centre would be to meet the needs of an elderly population whilst enabling physical activity across the generations.

2.7 The project plan currently aims to deliver a new facility managed by a leisure provider from Q1 2021 (April-June 2021). To achieve this target the Council has appointed leisure specialists to assist in drafting the leisure provider tender to operate all the Council's leisure facilities and is seeking authority to submit a detailed planning application for the new centre in September 2018.

3. Reasons for Recommendations

3.1 The current Chiltern Pools has an operational life until 2020 following which significant capital investment will be required to the building structure, plant and equipment and internal facilities. Future operational and capital costs arising from the continued operation of the Chiltern Pools in its current condition are anticipated to average £700k/annum over a 10 year period.

3.2 Without significant investment the facility will be a drain on the Council's resources and risks closure, impacting on current and future users of the leisure centre. The opportunity to invest in a new facility enables a significant return on investment reducing the future costs of leisure provision and allows income generation to the Council.

3.3 The public consultation attracted a high level of support and provided a clear public mandate to provide modern replacements for the facilities in Amersham. Discussions with current users of the centre and stakeholders including; Greenwich Leisure Limited, Amersham Swimming and Diving Clubs, Amersham Community Association, Gateway Disability Club, Linfield's Nursery, Amersham Youth Club and BCC Library Service all support the opportunity to develop modernised facilities addressing their future needs.

4. Content of Report Background

- 4.1 Chiltern District Council currently operates three leisure centres managed by Greenwich Leisure Limited under its trading arm Better Leisure. The current leisure operator contract ends March 2020 and work is currently commissioned to retender the operator contract.
- 4.2 The Council currently pays a management fee of £105,000/annum and is required to invest £100,000/year in capital improvements to the leisure facilities. GLL is also required to reinvest £145,000/annum in the planned preventative maintenance programme across the three centres. To gain value for money CDC and GLL jointly manage the programme. The current contract also provides a surplus reinvestment fund which will total £2.1M when the contract ends in 2020.
- 4.3 The annual income profile produced by GLL identifies that the Chesham and Chalfont centres produce an average surplus to the contract of £433k/annum. The Chiltern Pools currently impacts negatively on this surplus and is responsible for the current levels of management fee and capital expenditure (-£199 baseline costs in the business case).
- 4.4 If the Council continued to operate the current three centres the estimated management fee payable by the Council for a 10 year contract is forecast to be £600k/annum plus £100k/annum capital. If the Chiltern Pools is replaced as per the business case, the £4M surpluses from Chalfont and Chesham would enable significant reinvestment in these centres and has not been included in the business plan.
- 4.5 The Council has tendered a structural condition survey to identify the future expenditure over a 10 year period across all three centres. This will inform the operator tender requirements and improvement schedules required.

Proposed replacement community and leisure facilities

- 4.6 The Indoor Sport and Leisure Facilities Strategy and Chiltern Pools Options Appraisal and Feasibility study indicated that there was a viable business case to develop a new multi-purpose leisure centre/community facility which could deliver a good return on the investment required enabling the facility to be delivered at no additional cost to the council tax payer.
- 4.7 Respondents to the consultation identified that there was a clear justification for the Council to prioritise its investment in a new leisure and community hub with over 80% agreeing or strongly agreeing that this was the right thing to do. Almost 70% of respondents thought it was appropriate to develop a new facility under one roof as opposed to individual facilities and 80% of respondents agree that the new facility should offer a wider range of sport, leisure and community activities

Business Case

- 4.8 Members have sought to deliver a proposal for a new leisure and community centre at nil additional cost to the Council and were possible reduce the future costs of leisure provision whilst providing a centre that has flexibility to deliver future leisure and community needs. A modern purpose built centre would enable reduced operating costs, and a wider range of activities to meet the needs of all the community. In doing so a new facility would assist in regenerating an aging collection of buildings which poorly use the Councils land asset enabling opportunities for future income generation to be considered. In an era of negative council tax subsidy the Council has to increasingly manage its assets to gain maximum benefit for the community.
- 4.9 In consideration of these aims the evolving business case has incorporated features that would enable income generation to offset the building and operational costs of any proposed centre. It has been recognised that there needs to be high income generation areas such as; swimming, health and fitness, children's play and spa facilities to offset the cost of low income areas such as; the sports hall, squash, and community facilities.
- 4.10 The revised business case has reviewed the needs of current stakeholders and secured their intentions to support the project including an identification of their specific requirements. The business case has also addressed the opportunity to develop the site so as to mitigate the concerns in relation to transitional arrangements, car parking, the protection of the historic barns, accessibility and massing of the site close to adjoining properties.
- 4.11 The current facility mix detailed in **Appendix 1** includes an eight lane 25m swimming pool with associated spectator seating, dive facility/teaching pool (with associated dry diving facility), children's splash pad, changing village, 170 station fitness studio, climbing wall, soft play/clip and climb facility, 4 court sports hall, café, spin studio, 2/3 x dance studios, hot yoga studio, 2 x squash courts, community hall and meeting rooms, library and spa facility with treatment rooms. Accommodation has also been included to support the Linfield Nursery and Gatehouse Disability Club which currently operate from the Youth Club. Increased parking is provided as a result of the reorientation of the centre, together with the use of the Council office car park. As a temporary option the use of the existing Chiltern Pools site could form additional parking once demolished.
- 4.12 The current estimated costs of the proposed leisure and community facilities incorporating stakeholders' requirements and the provision of a spa together with additional accommodation anticipated to meet future needs is provisionally estimated between £30M -£34M. The final contract price will be the subject of a competitive OJEU compliant tender process.

- 4.13 The current evolving business case is detailed in **Appendix 2** identifies the options of adopting a more commercial approach to the leisure provision together with the inclusion of a spa facility. The proposals enable a contractor surplus of between £1.25M and £1.5M/annum. This would allow a payment to the Council of between £1M and £1.3M to offset the Council's loan costs. At the current fixed rate cost (2.74%) of prudential borrowing the income would sustain a PWLB loan over a 40-45 year period.
- 4.14 The spa plus and commercial pricing option demonstrates that the Council would achieve a saving against the future leisure associated costs arising from the continued operation of the Chiltern Pools, and would deliver a surplus by year 3 of between £10k and £85k, depending on the loan period.
- 4.15 The inclusion of the Community facilities at an estimated cost of £4M would be a cost to the Council of between £100k and £110k depending on the loan period.
- 4.16 The sensitivity analysis reflects the impact of higher build costs, interest rates and changes to health fitness throughput on the business case and surplus income to the Council. The sensitivity analysis can lead to a number of conclusions.
- The increase in interest rate has the lowest impact but is probably the most certain
 - Construction cost increases should be limited through the construction process and have been assessed in the cost plan at 5%. The OJEU competitive tender process will confirm the final costs.
 - Income sensitivity is the largest risk, but this will be the subject of market testing through the operator procurement process with the risk being transferred to the new leisure operator.
 - Combining sensitivity elements has a compounding effect
- 4.17 The NPV/Rol are important considerations but as the proposals seek to include £4M of community elements this project should not be considered a purely commercial operation and the inclusion of some consequential enabling development would help reduce the cost of the construction and especially the community element

Impact of Facility Mix on the business case

Community facilities

- 4.18 The business case recognises that the community facilities, which include the replacement library, community hall and pre-school nursery, are estimated to cost

£4M. It is clear that the Council is unlikely to generate sufficient income from rent to cover the cost of capital. Therefore, there will be a need for the Council to enter into negotiation with Bucks County Council (as the provider of pre-school education and library services) and the Community Association to consider how it will cost their access to the new development.

4.19 It is anticipated that the negotiation with the County will focus on a potential capital contribution, rental agreement or enabling development. However, the negotiation with the Community Association also needs to consider the range of tenants it accommodates (i.e. not in competition with the leisure operator) as well as its approach to charging commercial rates for commercial activities.

Leisure facilities

4.20 At an estimated cost of £30.6M for the leisure centre the business case would enable borrowing to meet this cost, with the inclusion of the spa plus and a more commercial approach to charging the business case further improves. The main income being derived from health and fitness, swimming, and play.

4.21 Following the inclusion of the capital costs it is clear that only health and fitness generates income to cover the building and operational costs. It also subsidises the ability to provide less income generating features in the centre. The centre has been designed to provide a 170 station gym, three dance studios and a hot yoga studio enabling over 4,500 members by year 3. Soft market testing, assessment of the latent demand and comparison with other areas has identified that this target is feasible in the current competitive climate.

4.22 The business plan also recognises that the wide range of offers provided by the proposed centre attracts new visitors to the centre and each of the facility mix contributes to the overall throughput and income generation.

4.23 In terms of the business plan the sports hall, due in part to its size and scale and future maintenance and repair costs does not provide a return, however its inclusion is considered of significant benefit to the leisure mix in Chiltern. Whilst the Climbing wall has a slight deficit and is almost at break-even point, this could change with any increased throughput above the predicted numbers of participants or following changes to the allocation of costs. Squash makes a marginal impact on the business case and as a result of the additional studio space incorporated in to the current design has limited additionality, but it may be used to support children's activities and or table tennis when not required for squash.

4.24 The general circulation area is a key drain on resources which is not uncommon within the context of the business case as the area does not have a defined point of income generation but the area will support the opportunity for the space to provide advice, information and support to residents or to enable

exhibitions and events attracting customers from wider afield. The area will also support the need for spectator provision at swimming galas without the need to include a significant viewing area in the pool hall with limited secondary usage. The café positioned centrally in the street provides the opportunity for secondary spend from users and visitors to the centre.

- 4.25 The remaining areas of the leisure centre all contribute to a lesser or greater extent to the overall business case. The costs associated with the dry dive facility have been incorporated in to the swimming income/expenditure projections as is based purely on the use by the Diving Club. This facility also supports the development and expansion of the diving club as a regional venue. As the dry diving is designed to be used in association with the sports hall this provides opportunities for local gymnastics clubs to hire and use the space.
- 4.26 The inclusion of the Spa provides a marginal but positive return on the business case however with the inclusion of the Spa Plus with the associated increased hot and cold experience, and additional treatment rooms a better return on the capital investment is provided and a greater contribution made to the business case. It also brings potential new entrants to the leisure facilities benefiting cross sales, and access to the community facilities.
- 4.27 In determining the final facility mix, it is recognised that each element of the design; swimming pool, spa, sports hall, climb, café, library, community centre, etc. all contribute to the overall business case. Should a decision be made to remove an element such as diving or spa, there would have to be a significant change to the design, and a knock on to the overall throughput, business case and development timescales.
- 4.28 The inclusion of all the facilities detailed in the current designs has been included in previous public consultation(s) and are currently supported by the community.

Enabling Development

- 4.29 With the demolition of the existing leisure and community buildings there is a once in a lifetime opportunity to consider the whole of the King George V Road and Chiltern Avenue site to
- Maximise the opportunities that benefit the community,
 - Rationalise the boundary between the built area and the King George V Playing Fields, and
 - Provide an income stream to support the Council's aspirations.

4.30 It is proposed that the Head of Environment and Head of Legal are asked to undertake due diligence to identify and take steps to address any legal constraints that impact the proposed leisure and community centre project. Due diligence is necessary to ensure there are no legal constraints that limit the scope of this project and to manage and plan for any risks that are identified.

4.31 Whilst community and leisure parking is currently being considered through the provision of a surface car park, future development opportunities may require the provision of low rise layered car parking alternatives, similar to those proposed in Marlow.

4.32 It is therefore recommended that a feasibility study exploring various options, as part of the project's overall financial viability, with a view to submitting a concurrent outline planning application is undertaken of the development opportunities offered by the release of the leisure and community site

Project Plan

4.33 Following the appointment of the Project Manager, and the Design team, further work was undertaken to test the assumptions in relation to the facility mix, size and scale of the building design and its location on the Chiltern Avenue/King George V site, delaying the completion of the Stage 2 design.

4.34 The revised high level project time line would aim for the new facility to be operational by April 2021 with key decision points now being;

- Client approval to proceed with planning application June 2018
- Client approval to proceed with contractor procurement June 2018
- Planning application submitted September 2018
- Planning approval January 2019
- Council decision to proceed with the development of the Centre following planning consent - February 2019
- BCC agreement to release of leases - February 2019
- Contractor appointment – March 2019
- Construction – August 2019 to March 2021
- Leisure Provider appointment April 2020
- Fit out and hand over – March / April 2021
- Opening – April 2021

4.35 These timelines are tight and based on the assumptions that;

- The project approval as far as the next key decision point, to proceed with a detailed planning application is granted at the June 2018 meeting of Cabinet;

- With limited contingency built in the programme that there is a quick decision making process built in to the project plan and delegated to the Project Board to progress within budget parameters;
- That the procurement of the contractor is undertaken early to enable detailed input in to the final design stages;
- That the design team is 'novated' to the construction contractor for the construction period;
- That the contractor can deliver to the assumed construction timescales; and
- That further design work is progressed in parallel with the planning application being considered.

4.36 It should be noted that an enabling package of works is likely ahead of the main construction works for the new centre, and the construction logistics is under review. Once the new centre is open and existing buildings have been vacated there will then need to be a demolition and making good package of works to create final parking areas and access routes. This is not currently included in the key milestones above.

Construction Procurement

4.37 The Project Board and Leisure Members Working Group (LMWG) has received procurement advice in relation to the appointment of the construction contractors, which takes into account the following:

- Programme to open the facilities in April-June 2021;
- Any facility should be built to a high standard;
- That control over the design needs to be with the Council and its stakeholders;
- The costs must be within the current identified cost and business plan limits; and
- Transfer the risk of cost to the contractor where possible.

4.38 At a procurement workshop in April 2017 it was recommended that a hybrid procurement approach is taken by the Council to appoint the main contractor. This process would enable a Design and Build contract to be entered into with the Council undertaking a two stage OJEU tender and appointing two contractors to be involved in the design, costs and buildability decision making. Following which a final competition is held between the two contractors to appoint the most competitive organisation.

4.39 The Project Manager is currently evaluating the market and has advised that to enable two contractors to be party to the design and technical requirements, whilst allowing a final competitive stage a fee would be payable. This fee would be agreed by the project board in a later report on the procurement approach and a budget for this is held in the current cost plan.

4.40 It should be noted that the above procurement approach may not encourage some of the larger leisure contractors to bid for the work and therefore market testing is underway to review and potentially revise the procurement strategy. This is noted as a project risk below.

4.41 Cabinet, at its meeting 27th June 2017, delegated authority to the Director of Services in consultation with the Head of Legal and Democratic Services to undertake a procurement process to select the lead construction company for the project, subject to final agreement to appoint the contractor by Cabinet. The revised procurement strategy will be considered by the project board and Leisure Members Working Group prior to any decision on the approach for procurement.

Land Swap

4.42 Amersham Town Council has agreed to the disposal of land to the District Council in return for the transfer of the green at Woodside Close and edge of Chiltern Avenue previously agreed by Cabinet report 1st May. The Head of Legal is progressing the transfer documents. Amersham Town Council has requested that following transfer the District Council

- reimburses the Town Council the £3500 cost of annual maintenance of the green at Woodside Close,
- further maintains the green fringes adjacent to Chiltern Avenue on behalf of the Town Council
- undertakes and necessary tree work prior to the land swap and
- relocates the MUGA, skate park, outdoor gym, and children's play area to support the phasing of the construction works.

5. Consultation

5.1 Consultation on the new centre proposals, including design, is to be undertaken during the summer as part of the detailed planning application process.

6. Options

1) *All options in the business case present an opportunity to deliver a new community and leisure facility with loan repayments made over a 40-45year period at nil additional cost to the council. The proposals enable opportunities to be released to redevelop the current community and leisure facilities making best use of the Councils assets.*

To proceed to the next key decision point of the project and develop and submit a detailed planning application on the current proposals together with an outline planning application for the remainder of the King George V site.

2) *To decide not to proceed with the current scale and scope of the project which would the Council to decide on the proposed facility mix it wishes to include in the revised scope. This would require fundamental change to the current designs, a change to the facility mix, and changes to the business case, which may result in a centre that is not*

cost neutral to the Council. The immediate impact would be increased design costs associated with the reworking, changes to the planned programme. The Council would be required to decide on the future operation of the Chiltern Pools with the option of closure of the centre or increasing the budget expenditure to meet future operational costs.

7. Corporate Implications

7.1 Financial – The doing nothing option will result in revenue costs of over £600k per annum and capital costs to the maintenance of structures of £100k/annum. As the Chesham and Chalfont leisure centres return a net surplus of over £400k/annum the decision would have to be made as to the future of the Chiltern Pools. The development of a single community and leisure centre would enable development options to be realised supporting the business case.

The project proposals and business case identifies a net financial return of £1M to £1.3M/annum to facilitate the Council borrowing and provides a net surplus depending on the approach to commercialisation and the inclusion of a spa. The proposals also deliver a wider range of activities meeting the requirements of the Chiltern Indoor Sports and Leisure Facilities Strategy, delivering a purpose built centre with more efficient operational costs. At the current fixed rate cost of borrowing the income would sustain a loan amount of £34M over a 40-45year period thereby delivering a new facility.

The current approved budget allocation of £1.5M is sufficient to progress the detailed design of the leisure and community facility to the next key decision point which is the approval of planning.

It is recommended to draw down up to £500,000 of funding from the Affordable Housing Reserve to enable the costs of professional fees for the feasibility study and outline planning application for the remainder of the King George V and Chiltern Avenue site to be progressed

The Council has taken external advice on treatment of VAT for the development. The recommended approach is to 'opt to tax' the building which will allow the recovery of the £6M VAT cost on the build. Consequently the leisure payment from the operator will be subject to VAT.

7.2 Legal – The Council has a duty to consider the health and wellbeing of its community, enabling leisure opportunities to support a healthier and active community would assist the Council in supporting this objective. The Council is advised to carry out due diligence to ensure there are no legal constraints that impact this project. Delegated authority should be given to the Head of Environment and Head of Legal to carry out the due diligence exercise for this project.

7.3 - Risks the current risks associated with the project include;

- i. The proposed land swap is to be concluded as soon as possible and consent is required from Amersham Town Council to the external facilities strategy being proposed for the scheme. Any delay to consent will delay submission of a planning application.*
- ii. Whilst the proposed site is strongly positioned to attract interest from the major wet leisure contractors, the procurement route needs to ensure a balance of cost and time. Due to market conditions, major wet leisure contractors may withdraw from a route that may not favour them which may result in a failed procurement process. The procurement strategy remains under review as market testing continues.*
- iii. Changes to the design or facility mix will have a significant adverse impact to the project programme, also potentially incurring additional redesign fees. Once public consultation has commenced it is very difficult to change proposals unless in response to consultation feedback.*
- iv. Stakeholders not agreeing the final heads of terms to relocate into a combined leisure and community facility leading to the need to identify an alternative site and potential delays to the project.*
- v. The final business case arising from the detailed design and construction process in Stage 4 does not deliver the anticipated return on investment.*
- vi. There is limited survey information regarding ground conditions (this is to be undertaken in Stage 3 and will inform the planning application). There is a risk of poor ground conditions which will increase the project costs and overall delivery programme.*
- vii. The cost of borrowing increases adversely impacting on the business case. This could be mitigated by agreeing long term fixed rate borrowings.*
- viii. Planning consent is refused for the leisure and community facility extending the timeline for completion. This risk may increase should the detailed planning application for the leisure centre and outline planning application for the potential residential are linked.*
- ix. Delays in appointing the contractors would extend the timeline for completion.*
- x. The contractor is unable to commit to the proposed timescale.*

- xi. Inflationary costs could increase the overall cost of development impacting on the business case, or further delay to the overall programme would potentially attract increased inflation costs.*

8 Links to Council Policy Objectives

Safe, Healthy and Active communities

Council has a duty to consider the health and wellbeing of its community, enabling leisure opportunities to support a healthier and active community would assist the Council in supporting this objective. Enabling the delivery of fit for purpose leisure facilities would support the Council's objectives to reduce crime and disorder, address carbon management in relation to the use of fossil fuels used in the operation of the leisure centres, strengthen partnership working with Public Health, CCG, community groups and sports clubs and improve opportunities for greater community cohesion.

9 Next Steps

- Detailed site surveys*
- Public consultation on the current proposals*
- Heads of terms agreed with leaseholders*
- Detailed and outline planning applications submitted*

Background Papers:	It is a legal requirement that we make available any background papers relied on to prepare the report and should be listed at the end of the report (copies of Part 1 background papers for executive decisions must be provided to Democratic Services)
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