

	Financial Performance and Contracts Committee 27 October 2020
Title	Leisure Centre Delivery
Report of	Assistant Director Capital Delivery & Assistant Director Greenspaces and Leisure
Wards	All
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Urgent	No
Key	No
Enclosures	None
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Summary

In 2012/13 as part of the Medium Financial Term Strategy (MTFS) the Council embarked on a review of leisure services, with the subsequent initiation of the Sport and Physical Activity (SPA) Project. Following the establishment of an Outline Business Case, extensive research and stakeholder engagement the project took a strategic and methodological approach in defining and shaping a future leisure offer. This resulted in the delivery of two new leisure centres in the Borough.

Across both Leisure Centres the combined contract value was £35,953,252 excluding risk. Delivery of the schemes was intended to deliver a cost neutral leisure contract, providing average annual saving of £1.3m pa . Overall this would deliver brand new facilities for the residents of the Borough and enable a cost neutral service operation when considering the costs of constructing the new facilities.

Under the NEC form of contract the values of risk items excluded from the contract are excluded from the contract sum and contained on a risk register. As identified risks occur the values are instructed into the contract through variations known as compensation events.

The final account for the delivery of the leisure centres has now been confirmed and the risks previously excluded that have actually occurred are now incorporated within the final contract sum. There were a total of 191 individual compensation events across the two schemes. These can be broadly grouped and summarised as below.

Item	Description	Additional cost
Utilities	Works required by utility companies in relation to new or amended gas/ electricity/telecoms/ water / drainage connections and routes	£1,354,744
Highways	Works required to the public highway to meet statutory requirements or to improve safety	£247,530
Ground conditions	Works relating to unforeseen ground conditions or removal of contamination	£1,189,574
GLL	Additional items /changes requested by partner GLL and approved by the Council.	£185,847
FFE	Furniture, Fittings and Equipment	£322,763
Other	Items not included in above categories (eg, programme acceleration, Secure by Design Requirements, Tree planting)	£1,687,205
Total	-	£4,987,664

The final capital account has been confirmed at £40,940,915. The project has achieved an annual average of c£1.6m of revenue to be generated from the leisure management contract, thus delivering a cost neutral service and a positive financial improvement of £2.6m.

This report sets out the current position of the project and the outcomes achieved.

Officers Recommendations

The Committee is asked to note the content of this Report updating on the position of the Leisure Centre Projects at New Barnet and Barnet Cophall Leisure Centre.

1 PURPOSE OF REPORT

- 1.1 This report provides an overview of the current position for the delivery of the New Barnet and Copthall Leisure Centres.
- 1.2 In 2012/13 as part of the Medium Financial Term Strategy (MTFS) the Council embarked on a review of leisure services, with the subsequent initiation of the Sport and Physical Activity (SPA) Project. Following the establishment of an Outline Business Case, extensive research and stakeholder engagement the project took a strategic and methodological approach in defining and shaping a future leisure offer.
- 1.3 The Revised Outline Business Case approved by Policy & Resources Committee (2014/15) endorsed recommendations which enabled the project to be defined by the following outputs;
 - To deliver the construction of two new leisure centres.
 - To deliver a new leisure management contract, delivering benefits stated in the SPA revised outline business case.
 - To develop an innovative procurement process that measurably improves the health and wellbeing of the residents of Barnet.
 - To work with stakeholders to ensure that the new leisure management contract aligns with national, regional and local priority outcomes.
- 1.4 The assessment indicated the future facility requirements across the Borough, focusing on swimming pools, sports halls and health and fitness. The recommendations highlighted the need to protect, enhance and invest in the existing facilities to satisfy demand and achieve financial sustainability.
- 1.5 In 2016/17 Policy and Resources Committee agreed to the redevelopment of Barnet Copthall Leisure Centre and the creation of a new facility, New Barnet Leisure Centre. At this time, the Council also commenced the procurement of a new leisure management contract effective from 1st January 2018 (to 31 March 2028).
- 1.6 The two new facilities were considered crucial investment schemes that would support in delivering a cost-neutral leisure contract and create accessible destinations that would increase levels of participation across the Borough. The locations were determined by taking a place-based approach, seeking to provide opportunities and experiences in an indoor and outdoor environment. This also aligned with the Councils 'Fit and Active Barnet' vision which is to "create a more active and healthy borough", contributing towards an engaged, productive, resilient and empowered population.
- 1.7 Successful delivery would improve the facilities and services available for residents and enable a shift from an operating cost of c.£1.1m per year to a cost neutral service operation after taking into account the cost of delivering the new facilities.
- 1.8 The main construction for both facilities completed in Summer 2019 and both sites have opened to the public.

- 1.9 In June 2017, the Council submitted an application to the Sport England Strategic Facilities Investment Fund for the maximum amount of £2,000,000 to support the investment initiatives.
- 1.10 In July 2017, Sport England's Investment Committee agreed the Lottery Grant of a maximum amount of £1,000,000 per scheme subject to the parties agreeing to enter into a deed governing the Lottery Grant on terms and conditions satisfactory to Sport England.
- 1.11 A Lottery Funding Agreement (LFA) for each development scheme is in place and outlines the award requirements, agreed design, conditions precedent to the drawdown of the total grant and monitoring arrangements to be implemented.
- 1.12 In accordance with the LFA, a restriction is placed on both Land Registry titles for Barnet Copthall Leisure Centre and New Barnet Leisure Centre respectively for a period of 25 years, pursuant to the deed.
- 1.13 New Barnet Leisure Centre and Barnet Copthall Leisure Centre opened their doors on 30 August 2019 and 1 September 2019 respectively. They offer a diverse mix of facilities and activities, encouraging residents to lead more active and healthy lifestyles.
- 1.14 During the first full opening Quarter (Q3) a total of 173,066 attendances were reported at Barnet Copthall Leisure Centre and 80,189 attendances at New Barnet Leisure Centre.
- 1.15 This figure accounts for a range of activities which includes but is not limited to; a full aquatic programme, sports courses and lessons, health and fitness, group exercise and health initiatives. For comparison, attendances at the new Barnet Copthall centre between Q3 2019 were over 12,000 higher than average attendances per quarter at the old centre.
- 1.16 In accordance with Government Guidelines all Barnet leisure Centres closed on 21 March 2020. The new facilities had been opened for a period of 6 months prior to closure where the following numbers had been recorded;
- A total of 1.2 million partnership attendances were recorded from 1 April 2019 up to 21 March 2020 (excluding Finchley Lido Leisure Centre).
 - Total includes 204,852 attendances from adults over 55 years + and 93,451 from disabled users.
 - The highest proportion of attendances relates to children and young people at 494,760.
 - 431,582 combined attendances recorded at Barnet Copthall and New Barnet.
 - Total number of attendances at Barnet Copthall (Sep – March): 290,701
 - Total number of attendances at New Barnet (Sep- March): 140,881
 - A year on year increase of 154,093 combined attendances (Barnet Copthall and New Barnet), supporting 55.5% year on year growth.
 - Fit and Active Barnet (FAB) Card (March) 27,071 residents had registered.
 - This represents a 6,192 (29.7%) increase since 2019, where 20,825 Cards were registered.

- There is a diverse range of FAB card users with over 50% of members aged 5-16yrs.

1.17 The Council's leisure management contract with GLL (Better) has continued to deliver a range of programmes to support the achievement of Public Health outcomes including weight management (children and adults); support for those with cancer; diabetes & falls prevention; dementia cafe etc. This is in addition to;

- Commitment to registered carers, looked after children, and care leavers provides them with enhanced benefits to the FAB Card including free swimming at anytime
- Delivery of specialist health programmes that include children's weight management, adult weight management and a cancer rehabilitation scheme
- Delivery of community based sessions that seek to challenge barriers to participation, making physical activity accessible to all residents. Delivery is targeted at low participation groups and families with a focus on areas of deprivation, BAME, women and girls, disabled and older residents (55+)
- Gender specific sessions at leisure centres ensuring that the diversity of cultures in the borough are supported to remain physically active
- Staff training to ensure diverse needs of our residents can be met including; disability awareness, dementia friends and mental health awareness.
- Each leisure centre has a nominated Dementia Champion and have pledged to a Mental Health Charter.

1.18 In addition to the above, Barnet has experienced a significant increase in the Sport England Active Lives dataset with 64% of the adult population (16+) active for at least 150 minutes per week. Barnet is one of four London boroughs to achieve a statistically significant increase since 2015 when the Active Lives Survey was launched.

1.19 The successes of the increased engagement and physical activity has featured in a London Sport featured a case study reflecting how a collaborative approach in Barnet has led to an increase in levels of physical activity and opportunities for residents in the borough

1.20 The SPA Project has delivered a transformation programme that demonstrates how leisure services can contribute towards measurable improvements that determine;

- An increase in the percentage of active children and adults.
- Improved health outcomes and general wellbeing
- Improved opportunities to access sport & physical activity for all ages and abilities
- An enhanced approach to partnerships
- Better intelligence to identify needs, supply and demand for sport and physical activity provision
- Innovative approaches to make participation an attractive choice
- Increase sustainability, creating more resilient communities and sport and physical activity providers, including; clubs and the voluntary and community sector.

Governance

- 1.21 The project adopted a strong governance approach including a robust Gateway process to ensure suitability, strategic fit, deliverability and viability was tested at the close of each RIBA Stage. This included;
- Assurance to Programme Boards that specific stages have been achieved
 - Enabling project teams to progress to next project stage knowing that the previous stage has been signed off
 - Record of decisions
 - Definition of the content of each stage
 - Definition of the criteria for stage acceptance
 - Ability to track major project changes after gateway approval
- 1.22 As a general principle, as projects progress through the RIBA Stages and the various gateway points, the level of detail available and therefore project certainty increases, whilst exposure to risk that is difficult to either identify or quantify will decrease. To deal with this in the early stages of a project, optimism bias is applied, the range of which will typically reduce as the scheme progresses.
- 1.23 The Project set up a number of key internal governance boards which keep oversight of progress and ensure that the schemes remain on track. The main Council boards were the SPA Programme Board and the Technical Assurance Group.
- 1.24 The SPA Board was the responsible Board (monthly) that acted as the decision-making board, providing critical challenge to ensure the project delivered benefits. The SPA Technical Assurance Group additionally acted to ensure there was oversight to manage technical aspects and mitigate identified risks. Sport England were represented at SPA Board, in addition to technical engagement and remained an independent partner offering strategic expertise throughout the project.
- 1.25 Additional sub project category boards were set up to ensure progress, this included; Construction Progress Meetings, Mobilisation Meetings, Copthall Co-Ordination Meetings, Stakeholder Meetings.
- 1.26 The above approach was established to ensure the project was delivered effectively and that a proactive approach to budget and resource plans, risk and issue management and benefits realization could be achieved.
- 1.27 At key points, project reports were taken to the Council's Policy & Resources Committee.

Construction Overview

- 1.28 In October 2016 John Graham Construction Ltd (GCL) were appointed as the Council's Strategic Construction Partner for a period of 5 years. The Strategic Construction Partner Agreement supports an estimated £150 million of construction activity in Barnet, which included the construction of leisure facilities.
- 1.29 In January 2017, the Council approved planning applications to develop two new leisure facilities. The total construction costs were confirmed following the

completion of RIBA stage 4 in September 2017, in addition to the completion of all pre-commencement planning conditions required to initiate construction.

- 1.30 Construction commenced on both sites in December 2017, with the specific agreement delivered through a New Engineering Contract (NEC).
- 1.31 Construction projects will often carry risk and require amendments to be considered as the projects develop and further information becomes known. This is particularly the case with below ground obstructions and conditions. The NEC contract allows for these circumstances through the contract terms.
- 1.32 The NEC contract identifies specific risks accepted as excluded as this position would normally cover circumstances where the full extent of cost cannot be known until works have commenced. These items, are treated as client risks so that the price paid equates to the actual cost if a risk should occur. Therefore the projected costs sit outside of the contract sum unless the risk materialises.
- 1.33 Both projects maintained a risk register which identified all risks that were excluded from the contract sum. Risks are assessed on an assumption of potential cost and considered against the likelihood of the risk occurring. The assessment of the risk values at contract commencement was £1.865m. It is normal to expect that only some of the identified risks on a project would occur and that the values on some risks could be both higher and lower than those assumed. Intrusive investigations were undertaken throughout the project to better understand the potential issues with site conditions and as further site information became available the risk allowances were adjusted accordingly. For both projects, the actual costs for the risks that emerged to be issues were significantly higher than the values originally assumed at contract commencement.
- 1.34 As the actual final price paid reflected the actual cost of the issues, there has been no financial loss to the Council and the costs would have been the same if a more accurate cost was understood at contract stage. However, for future projects there needs to be a more robust assessment to project risks.
- 1.35 Final account figures have been agreed with the contractor. The table below shows the final agreed contract sums for each leisure centre.

Element of Works	Budget Approved Jan 2019	ACTUAL	Difference	Contract Completion Date	Actual Completion Date
New Barnet Leisure Centre					
New Barnet NEC Construction Contract	14,476,071.00	16,572,470.49	2,096,399.49	5th July 2019	16th August 2019
Copthall Leisure Centre					

Copthall NEC Construction Contract	21,477,181.00	24,368,445.07	2,891,264.07	9th September 2019 (Revised date for New Building) 7th February 2020 (Demolition)	30th August 2019 (Handover of new centre) 28th February 2020
TOTAL	35,953,252.00	40,940,915.56	4,987,663.56		

- 1.36 On significantly sized construction projects the Council employs a technical team to administrate the contract on its behalf and to provide the appropriate check, challenge and assurance. The technical team provide regular reports to Council officers with proposed changes subjected to the appropriate project governance and approval process.
- 1.37 For the leisure centre schemes, the Council employed project management (Customer Support Group) for the overall running of the project, technical advisory services (Customer Support Group) for the administration of the contract and technical assurance for the project and Graham Construction as the principle contractor. These three core roles fall in line with the Councils normal method for delivery of projects of this type.
- 1.38 To ensure cost assurance, the project technical advisory team included independent quantity surveyors (Gardiner & Thoebold) and commercial leads who provided assessment and appropriate scrutiny of cost when an event occurred. Proposed changes were subjected to the appropriate project governance and approval process to ensure that there was adequate contingency funding remaining in the approved budget.
- 1.39 Under the construction contracts, the contractor is obliged to remain engaged and deal with defects that may arise during use of the buildings for a defined period of time after the hand over of the building to the operators.
- 1.40 Across the two schemes, the council has held back a retention payment that is only paid to the contractor once the Technical Teams are satisfied that all identified defects have been appropriately dealt with.
- 1.41 The schemes have both reached the end of the defects notification period and the contractor has been working closely with Council officers, the technical teams and the Leisure Centre operators to effectively close out open defects.
- 1.42 The tables below outline the summary position as of 6th October 2020.

New Barnet

SUMMARY

%

Open Defects	22	27%
Non-Practical Defects" (Planning Cond. Discharge, Coll.Warr etc..)	6	7%
Closed Defects	55	66%
TOTAL POST COMPLETION DEFECTS REPORTED	83	100%

Copthall

SUMMARY		%
Open Defects	32	24%
Non-Practical Defects" (Planning Cond. Discharge, Coll.Warr etc..)	2	2%
Closed Defects	97	74%
TOTAL POST COMPLETION DEFECTS REPORTED	131	100%

2 REASONS FOR RECOMMENDATIONS

- 2.1 This report provides an overview of the current position for the delivery of the New Barnet and Copthall Leisure Centres. The Committee is asked to note the content of this Report updating on the projects.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4 POST DECISION IMPLEMENTATION

- 4.1 None.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Robust budget, performance and risk monitoring are essential to ensure that there are adequate and appropriately directed resources to support delivery and achievement of corporate and committee priorities as set out in the Corporate Plan (Barnet 2024) and Annual Delivery Plans.

- 5.1.2 Relevant council strategies and policies include the following:

- Medium Term Financial Strategy
- Corporate Plan (Barnet 2024)
- Performance and Risk Management Frameworks.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The budget forecasts for these projects are reported to Policy and Resources Committee
- 5.2.2 When considering all project costs. The Council has budgeted £44,952,727 on the delivery of the enhanced leisure provision. The current forecast is for the schemes to be delivered within £44,650,000.
- 5.2.3 The revenue income generated from the new leisure contract is now more than £1.5m per year compared to the previous operational cost of £1.1m per year this equates to a £2.6m improvement in position. The revenue generated covers the costs for the construction of the leisure centres and allows the service to operate at a revenue neutral position.

5.3 Social Value

- 5.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. This duty is not applicable at this stage as no new contract or service is proposed.

5.4 Legal and Constitutional References

- 5.4.2 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:
- The overall financial performance of the council
 - The performance of services other than those which are the responsibility of the: Adults and Safeguarding Committee; Children, Education and Safeguarding Committee; Community Leadership and Libraries Committee; Environment Committee; and Housing and Growth Committee.
 - The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy and Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
 - At the request of the Policy and Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
 - To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

This report is made to the Financial Performance and Contracts Committee in order to consider the results of the project.

5.4.3 The council's Financial Regulations can be found at:
<https://barnet.moderngov.co.uk/documents/s47388/17FinancialRegulations.doc.pdf>

5.5 Risk Management

5.5.1 Throughout the life of each project, emerging risks are recorded and managed in line with the Council's risk management methodology and project management methodology.

5.6 Equalities and Diversity

5.6.1 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups.

5.6.2 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex and sexual orientation; marriage and civil partnership.

5.6.3 In order to assist in meeting the duty the council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.
- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet's diverse communities by engaging with them.

This is also what we expect of our partners.

5.6.4 This is set out in the council's Equalities Policy, which can be found on the website at: <https://www.barnet.gov.uk/your-council/policies-plans-and-performance/equality-and-diversity>

5.7 Corporate Parenting

5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

5.8 Consultation and Engagement

5.8.1 Obtaining customer feedback is part of the contract management process to inform service delivery, service development and service improvement.

5.9 Insight

5.9.1 None

6 BACKGROUND PAPERS

Cabinet Resources Committee, 18 October 2012 (Decision item 15) – approved the Sport and Physical Activity Strategic Outline Case, including the draft SPA Strategy Statement.
<http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?ID=4416>

Cabinet Resources Committee, 4 November 2013 (Decision item 5) – approved the Sport and Physical Activity Outline Business Case.
<http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?ID=5035>

Health and Well-Being Board, 12 June 2014 (agenda item 14) – approved the establishment of the Fit and Active Barnet (FAB) Partnership Board and noted the Sport and Physical Activity (SPA) Strategy delivery plan
<http://barnet.moderngov.co.uk/documents/s15393/Fit%20and%20Active%20Barnet%20Partnership%20Board%20and%20Sport%20and%20Physical%20Activity%20Strategy%20Delivery%20Plan.pdf>

Policy and Resources Committee, 21 July 2014 (agenda Item 8) – approved the Sport and Physical Activity Outline Business Case.
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=7860>

Policy and Resources Committee, Tuesday 17th February 2015 7.00pm (Agenda Item 9) Sport and Physical Activity Review Revised Outline Business Case
<http://barnet.moderngov.co.uk/mgAi.aspx?ID=11370#mgDocuments>

Policy and Resources Committee, Wednesday 16th December 2015 6.30pm (Agenda Item 12) The relocation and redevelopment of Church Farm Leisure Centre and the redevelopment of Barnet Copthall Leisure Centre.
<http://barnet.moderngov.co.uk/documents/s28130/The%20relocation%20and%20redevelopment%20of%20Church%20Farm%20Leisure%20Centre%20and%20the%20redevelopment%20of%20Barnet%20Copth.pdf>

Policy and Resources Committee , September 2016:
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8729&Ver=4>

Policy and Resources Committee , December 2016:
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8731&Ver=4>

Full Council, 13 December 2016
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8817&Ver=4>

Planning Committee – Approval of Barnet Copthall Leisure Centre and Victoria Recreation Ground

Planning Committee, January 2017
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=703&MId=8614&Ver=4>

Fit & Active Barnet Framework – Adults & Safeguarding Committee Reports

Fit & Active Barnet Framework, March 2017

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=698&MId=8676&Ver=4>

Draft Fit & Active Barnet Framework, September 2016

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=698&MId=8673&Ver=4>

London Borough of Barnet Consultation Reports

Phase 1 2012 – Needs assessment

<http://barnet.moderngov.co.uk/documents/s16260/Appendix%20C%20-%20SPA%20Needs%20Assessment.pdf>

Phase 2 2013 – ORS Final report

https://engage.barnet.gov.uk/adult-social-services/sport-and-physical-activity-review/user_uploads/final-leisure-services-report.pdf

Phase 3 2014 - ORS Final report

<http://barnet.moderngov.co.uk/documents/s21252/Appendix%205%20-%20ORS%20Consultation%20report.pdf>

Phase 4 2015 - ORS Final report

https://engage.barnet.gov.uk/adult-social-services/sports-and-physical-activity-cf-cophall/supporting_documents/Barnet%20SPA%20Phase%204%20%20Final%20report%20v6.0.pdf

Health Impact Assessment (HIA) 2015

https://engage.barnet.gov.uk/adult-social-services/sports-and-physical-activity-cf-cophall/supporting_documents/CF%20%20HIA%202015%20Final.pdf

Feasibility Study 2015

<https://barnet.moderngov.co.uk/documents/s21253/Appendix%206%20-%20Feasibility%20Study.pdf>

Public Health Outcome Framework Document 2014

<http://barnet.moderngov.co.uk/documents/s21257/Appendix%209%20i%20-%20Public%20Health%20Outcomes%20Framework.pdf>