	<h2>Cabinet</h2>
<b>Title</b>	<b>Great North Leisure Park (GNLP) and Finchley Lido Leisure Centre Outline Business Case</b>
<b>Date of meeting</b>	14 <sup>th</sup> November 2023
<b>Report of</b>	<p>Councillor Ross Houston – Deputy Leader, Cabinet Member for Homes &amp; Regeneration</p> <p>Councillor Ammar Naqvi – Cabinet Member for Culture, Leisure, Arts &amp; Sports</p>
<b>Wards</b>	Woodhouse
<b>Status</b>	<p>Public with exempt appendices: A, C, D and E are exempt on the grounds that they contain Information relating to the financial or business affairs of any particular person (including the authority holding that information) (para 3, schedule 12A to the Local Government Act 1972) and C is exempt on the ground that it contains Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings (para 5, schedule 12A to the Local Government Act 1972)</p>
<b>Key</b>	Key
<b>Urgent</b>	No
<b>Appendices</b>	<p>Appendix A – Outline Business Case (exempt)</p> <p>Appendix B – Engagement Report</p> <p>Appendix C – Draft Pinsent Mason report on the proposed Development Agreement (exempt)</p> <p>Appendix D – Site Plan (exempt)</p>
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## Summary

This report provides an overview of the Great North Leisure Park (GNLP) site, whereby the head lease was acquired by Regal London in 2023, and requests for Cabinet to approve the variation of the existing headleases, and a widening of the user clause to enable residential development, in return for a premium payment which will facilitate the redevelopment of a new leisure facility, governed by a Development Agreement between the Council and Regal London.

The report also details a summary of the Outline Business Case (OBC) to redevelop Finchley Lido Leisure Centre, which includes an assessment of;

- Strategy and Policy information.
- A review of the feasibility study results, including the supply and demand analysis.
- Public consultation and engagement results (December 2022-February 2023 and July 2023-September 2023)
- Stakeholder engagement
- A review of emerging facility mix options (referred to as Option A, B and C)
- An assessment of site locations and their capacity and viability for the proposed development.
- Preparation of initial capital and revenue cost estimates.
- A review of funding and procurement options, together with risk analysis.
- Evaluation and recommendation of a proposed option.

The business case sets out how the development of a new facility has been considered alongside the wider masterplan for the GNLP site and its ability to deliver the Councils strategic ambitions. Including a case for investment to create an attractive destination facility which includes a range of new and enhanced facilities for all Barnet residents.

Cabinet is requested to approve progressing facility mix Option B (as referred to the table in section 1.32 of this report), noting that further investment will be required and approving the use of community infrastructure levy funding to support delivery.

## Recommendations

### Cabinet:

- 1. Notes the results of the public consultation located in Appendix B.**
- 2. Approves a new leisure centre to be redeveloped on the disused bowling green site and approves progressing Option B as the preferred facility mix (table in section 1.32) subject to affordability.**
- 3. Notes that additional investment is required to deliver Option B and that a funding model which assesses the use of CIL and/or borrowing will be progressed, which may require re-profiling of existing capital commitments and/or prioritising revenue funding to support borrowing.**
- 4. Approves the principle of the proposed Development Agreement to govern the delivery of the proposed new leisure centre and the variation of the headlease of GNLP as described in this report.**

5. Delegates to the Deputy Chief Executive in consultation with the Cabinet Member for Culture, Leisure, Arts & Sports authority to consider and have regard to the equality impact assessment to be obtained in finalising the documents referred to in recommendation no 6 as appropriate.
6. Delegates the finalisation of the proposed Development Agreement and the agreement of any further legal documentation required in order to give effect to the matters contemplated in the Development Agreement, and entry into the consequent legal arrangements, to the Deputy Chief Executive in consultation with the Cabinet Member for Culture, Leisure, Arts & Sports

## 1. Reasons for the Recommendations

### Background

- 1.1 In April 2023 a report was presented to Policy and Resources Committee which outlined the acquisition of the head lease at Great North Leisure Park (GNLP) by Regal London. The report also detailed the results of the Councils feasibility study and public engagement (undertaken between December 2022 – February 2023) on the relocation, refurbishment or redevelopment of Finchley Lido Leisure Centre, located on the GNLP site.
- 1.2 A decision was taken by Policy and Resources Committee to retain and redevelop a new leisure centre on the GNLP site, and to undertake further public consultation on an emerging facility mix to be supported by the development of an Outline Business Case (OBC). Approval was also provided for officers to enter further discussions with Regal London on finalising a Development Agreement, which would be subject to future Cabinet approval.
- 1.3 This report details the Outline Business Case to develop a new leisure centre, which includes an assessment of;
  - Strategy and Policy information.
  - A review of the feasibility study results, including the supply and demand analysis.
  - Public consultation and engagement results (Round 1 and 2)
  - Stakeholder engagement
  - A review of emerging facility mix options (referred to as Option A, B and C)
  - An assessment of site locations and their capacity and viability for the proposed development.
  - Preparation of initial capital and revenue cost estimates.
  - A review of funding and procurement options, together with risk analysis.
  - Evaluation and recommendation of a proposed option.
- 1.4 The business case sets out how a new facility has been considered alongside the wider masterplan for the GNLP site and its ability to deliver the Councils strategic ambitions. Including a case for investment to incorporate a replacement leisure centre as part of the GNLP development.
- 1.5 In addition to the Outline Business Case, a commercial and legal assessment has been undertaken by the Council, with the support of CBRE and Pinsent Masons to progress with negotiating the proposed Development Agreement.
- 1.6 As reported in April 2023, Regal acquired the headleases of GNLP, and the current headleases have covenants contained within them that restrict the tenant's ability to redevelop or change the use of the property without the Landlord (LBB)'s consent. In addition, with 121 years remaining, the

leases are too short to facilitate a build-to-sell residential scheme on the site. Therefore, in order to pursue a residential led redevelopment of the site, Regal London have approached LBB to vary the terms of the headleases, including removing the relevant restrictive covenants and to extend the lease term to improve the commercial attractiveness and fundability of the investment.

1.7 Subject to Cabinet approval, LBB have agreed to a variation of the existing headleases, and a widening of the user clause to enable residential development, in return for a premium payment which will facilitate the re-provision of a new leisure facility, governed by a Development Agreement.

1.8 A Development Agreement is recommended as the structure to document this agreement as it contains mechanisms within it which will facilitate both the grant of the new headleases and the delivery of a new proposed leisure centre subject to certain prescribed conditions precedent. The draft Development Agreement is appended to this report, and there is more commentary on the broad provisions in 1.14 and below in this report.

### **Site Context & Existing Leisure Facility**

1.9 The Great North Leisure Park (GNLP) occupies an 11.2-acre (4.40 ha) site in a prominent position on High Road (A1000), North Finchley. It is in proximity to amenities at North Finchley Town Centre and has been allocated for redevelopment within the emerging local plan.

1.10 'Finchley Lido' has been located at GNLP since 1931 in different formats. The original Finchley Open Air Pool was opened in September 1931 and provided a 50m pool with depths up to 3m. This facility closed in 1992 and the existing leisure facility, which includes both an indoor and significantly smaller outdoor pool was provided as a replacement (c1995.96).

1.11 The existing leisure centre is a Council owned facility within GNLP. It occupies the site by way of an underlease from Regal and includes an area of approximately 1.04 hectares. The facility is managed by GLL (Better) as part of the Council's leisure management contract, which includes four other Council owned facilities.

1.12 Whilst the existing building has been refurbished since its original construction; the general fabric of the building is aging and there are practical issues, such as the age of the plant that mean reactive and planned maintenance costs are increasing and will continue to do so. Refurbishment of the current centre was not deemed viable for several reasons:

- The existing centre is of a poor design, in terms of layout and flexibility of space.
- The existing mix of facilities does not provide sufficient space to provide the additional facilities that meets the Council's ambitions and user demand.
- The facility is not the most energy efficient and does not benefit from recent advances in technology (especially when considering building management systems).
- Major investment is required to bring the facility up to modern standards, which would make it difficult to match the quality of any new build competition.

1.13 A new leisure facility is therefore considered to provide an opportunity to deliver environmental improvements and improved social, community and health benefits to residents. This has been explored further as part of the business case.

1.14 The existing leisure uses on GNLP, such as the cinema and bowling, will be redirected towards North Finchley town centre regeneration programme as part of the Council's desire for North

Finchley to become a destination for leisure, arts and cultural uses and food and beverage.

### **Commercial / Legal Assessment – Development Agreement**

- 1.15 The previous report presented to Policy and Resources Committee (April 2023) outlined the potential of funding a new leisure centre through development as part of varying the GNLP Head Lease. As a result, negotiations for a Development Agreement (DA) have been progressed as it is considered that a DA is the most appropriate mechanism to protect the Council's position.
- 1.16 The Council has appointed CBRE and Pinsent Masons to advise in constructing a Development Agreement. This includes the following broad provisions;
- Regal and the Council have agreed to vary the existing Headlease by way of a Deed of Variation subject to satisfaction of the conditions taking effect.
  - Regal has agreed to build the Council a new Leisure Centre (subject to an agreed design specification) and subject to variations to the Headlease.
  - The Council has agreed to surrender the Underlease of the existing leisure centre subject to practical completion of the new leisure centre. The Council is not required to surrender the existing Underlease until the new leisure centre is constructed to the Council's satisfaction. There will also be the obligation for Regal to ensure that there is sufficient parking for the existing leisure centre (ELC), whilst it is in operation, as well as a continued ability to have access and egress to and from the ELC and servicing of the ELC continues to be facilitated.
- 1.17 The mechanism proposed is that Regal pay the Council a premium for the construction of the new leisure centre on the day upon which the Deed of Variation is entered into (which is the 'unconditional date' in the Agreement – the date at which the DA goes unconditional and the conditions precedent detailed below are satisfied). The Council will hold that sum and use it to pay Regal towards the delivery of the new leisure centre, making monthly payments against certified sums as the leisure centre build progresses. In progressing Option B, further investment is required to deliver an enhanced facility. This is expanded further in section 5 of this report.
- 1.18 Should the Council decide that it no longer wishes to receive a new Leisure Centre, the premium payable by Regal to the Council will change and in those circumstances Regal is not required to carry out the works. There is the provision in the DA for further premium drawdowns on a phased basis, should Regal make a higher-than-expected return, and an Overage clause is also included.
- 1.19 Option B assumes the location of the new leisure centre on the disused former bowling green. This will require negotiation with two adjoining occupiers to relocate or reconfigure their demises to optimise the car parking provision. In the event this is not feasible, alternative car parking solutions have been identified by Regal to satisfy the level of parking required for a new facility.
- 1.20 The current list of proposed Conditions Precedent for the DA are as follows, and following satisfaction of these conditions the DA will go unconditional:
- the Planning Conditions (acceptable planning permission);
  - the Ground Investigation Condition (to be commissioned by Regal as soon as possible after exchanging the DA in order to establish the ground conditions); and
  - the Funding Condition (Regal securing funding sufficient for the delivery of the new leisure centre) – the DA will contain a list of pre-approved bona fide funders; and

- FBC Condition – it is recognised that the Full Business Case will need to be brought back to Cabinet at a point in time when the scheme is more fully evolved and the conditions described above have been satisfied. Cabinet’s approval will be required before the DA becomes unconditional and the GNL P Headlease is varied.

The DA, a summary of which is appended to this report remains to be finalised. It currently caters for design Option B (as referred to the table in section 1.32) on Council owned land. In the event that an alternative option is selected by Cabinet, the DA will need to be amended to cater for this option.

1.21 There are a number of commercial points that have not yet been agreed in the DA. A summary report on key aspects of the DA prepared by Pinsent Masons is appended to this reports. It is recommended that Cabinet notes the current status of the DA and approves any future changes to the proposed Development Agreement to be delegated to the Deputy Chief Executive in consultation with the Cabinet Member for Culture, Leisure, Arts & Sports.

### **Leisure Centre - Options Analysis**

1.22 The Strategic Outline Case (SOC) presented to Policy and Resources Committee detailed demographic and supply and demand analysis of the catchment area for the GNL P. The statistic and market analysis of this work is still considered valid as part of the Outline Business Case, which has been evolved to further refine the emerging facility mix options through public consultation.

1.23 In May 2023, the Council commissioned Mobilise Public Limited (Mobilise) to support public consultation and engagement activities, which were delivered between July – September 2023. Activities included a range of workshops, drop-in sessions and an online survey.

1.24 The focus of engagement was to gauge resident views on;

- Proposed location of the new leisure centre
- Facility mix for the new leisure centre
- Prioritisation of facilities within the leisure centre;
- Exploration of type of facility and location (eg outdoor water provision);
- Any special considerations or particular users including protected characteristics.

1.25 The consultation yielded a combination of qualitative and quantitative results, totalling 516 responses. The majority of responses were generated by existing users of the facility, with a reasonable mix between members, non-members and occasional users and non-users.

1.26 The key headlines which are further expanded within Appendix B and Section 7 of this report are:

- The leisure centre is a very important asset, and the redevelopment is an important opportunity for now and the future.
- A new location (within GNL P) has some benefits but perhaps the losses outweigh.
- ‘Like for Like’ will not be sufficient for demand.
- The lido is a unique aspect of the current facility and could be improved.

- Affordability and access are important to residents.
- Young people are most risk of loss when considering the leisure and wider GNLP development.
- Consideration of further opportunities to engage residents.

1.27 Throughout engagement a new leisure facility was reinforced as a valued community asset, and that future access and affordability remains important to residents. Whilst feedback suggests that a new centre will continue to benefit from the same level of usage, concerns were raised over the proximity to, and additional demand generated by a new residential development. This was reflected in views that a like for like replacement would not be sufficient given the present demand and future interest generated by a new facility.

1.28 When considering a facility mix, themes mainly attributed to creating a fun, family friendly environment where health and wellbeing activities were provided for. This was reflected in priorities to include a swimming pool (25m), gym, learner pool, leisure water, studio spaces, café, outdoor pool/lido and steam room.

1.29 This stage of consultation highlighted that whilst residents value both the provision of indoor and outdoor facilities, some would prioritise offering indoor enhancements. The wider loss of leisure facilities for young people from the development of the GNLP was highlighted as a particular concern and proposed mitigations, where possible through the facilities offered by the new leisure centre should be considered.

1.30 Building upon the engagement results from both rounds (December 22- February 23 and July-September 23), a series of options and facility mix packages have been assessed which combine the supply and demand analysis, existing facility information, consultation results, stakeholder engagement, in addition to projected capital and revenue estimates. This appraisal has been completed with the support of FMG Consulting, an independent leisure consultancy with market expertise.

1.31 In considering a facility mix, a range of design options (referred to as Option A, B and C) emerged for assessment. Each option varies in relation to size and scale of development, offering a range of benefits and items for further consideration.

1.32 These options are:

<b>Facility Mix Options</b>	<b>Existing Facility</b>	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>
<b>Health and Fitness Gym</b>	Yes (smaller)	700 sqm	690 sqm	698 sqm
<b>Studios</b>	1 studio	3 studios including cycling studio	3 studios including cycling studio	3 studios including cycling studio
<b>Swimming Pool</b>	25mx6 lane	25m x 6 lanes	25m x 6 lanes	25m x 6 lanes
<b>Learner Pool</b>	No	13m x 10m	13m x 10m	13m x 10m
<b>Leisure Water</b>	Leisure pool with wave	Splash pad & leisure pool with waves and flume	Splash pad & leisure pool with waves	None

<b>Indoor Adventure Zone</b>	No	Yes	Yes	No
<b>Indoor Climbing</b>	No	Yes	No	No
<b>Soft Play</b>	No	Yes	Yes	Yes
<b>Thermal Spa</b>	Sauna	Yes	Sauna and steam	Sauna and steam
<b>Party Rooms</b>	No	Yes x 2	Yes x 3	No
<b>Health consultation rooms</b>	No	No	Yes x 3	No
<b>Café</b>	No	Coffee shop style	Coffee shop style	Coffee shop style
<b>Lido</b>	20m x 3 lane & shallow children's pool	20m x 3 lane & shallow children's pool	20m x 3 lane & shallow children's pool	20m x 3 lane & shallow children's pool
<b>Total gross internal floor area (est)</b>		7,471 sqm	6,950 sqm	4,014 sqm

- 1.33 Whilst each option provides for a swimming pool (25m x6lane), learner pool, health and fitness, studio space, café, lido, soft play, sauna and steam room, there are features contained within Option C specifically that do not fully accord with popular components which were highlighted through the engagement, such as the removal of leisure water.
- 1.34 This option is not considered direct a like for like replacement to the existing facility owing to the removal of leisure water, which is substituted by a learner pool. However it is the closest comparator to the existing facility. There are further limitations with this option to expand the provision for children and young people and optimise on health and wellbeing improvements, which were important themes identified during engagement.
- 1.35 Whilst Option C includes an outdoor lido, it is unclear at this stage how the lido will be designed into the development where a new leisure centre is located at the front of the GNLP site.
- 1.36 Option A and B both provide the similar internal and external water features, the key differences being the type of leisure water features included, and the removal of climbing wall and the enhanced spa offering under Option B. However, this option is considered more compact, whilst still providing an increased and complimentary range of facilities available. In particular; adventure and soft play provision for children and young people in addition to leisure water and the inclusion of party rooms and dedicated health consultation areas to support initiatives, which are not included in Option A.
- 1.37 When considering the supply and demand analysis and engagement results, Option B (in table 1.32) prevails as the preferred facility mix option which provides a broad range of facilities for residents of all ages and abilities. This option also enables the Council to create a family friendly attraction, delivering an increased and diverse range mix of facilities, which continue to provide opportunities to be physically active.
- 1.38 Alongside a review of the facility mix options, the proposed location of a new facility has also been considered. When considering each design option (A, B and C) and the spatial requirements for each option, it has been necessary to identify locations which are;



- Owned by the Council.
- Can accommodate a range of facilities required.
- Can be accessed by all residents.
- Consider planning and environmental site constraints.
- Consider any sensitivities of the site.
- Visibility and synergies with surrounding land uses.
- Consideration of proposed GNLP masterplan.

1.39 Following engagement activities and the development of facility mix packages, high level concept plans for each option were prepared to enable a review of suitable site locations. Each design option has also considered protecting the existing use of Finchley Lido, which will remain open and operational until a new facility is constructed.

1.40 At this point, two locations were identified for appraisal; a new leisure centre contained within GNLP (at the front of the site) or the disused bowling green and accompanying vacant pavilion, outside of the GNLP lease area but owned by the Council.

1.41 Whilst a leisure facility located at the front of the GNLP site was recognised as an opportunity to provide improved visibility and connection to the wider development plans, concerns were raised through resident engagement in respect of user experience and disconnect to other amenities.

1.42 It was further considered that a new facility located at the front of the site, integrated into the GNLP development may also include residential above, forming part of a mixed-use building. This would need to be evaluated further with Regal to confirm asset ownership arrangements, risk and liabilities. Where such types of arrangements do exist, management and operational complexities are more prevalent.

1.43 A number of site constraints also become prevalent when considering a new facility at the front of the GNLP site; namely achieving the spatial requirements associated with each design option (A, B or C). Option C, estimated at 4,014sqm is the only design option which could be accommodated at the front of GNLP, this currently excludes confirming the location of lido and therefore a potential disconnect could materialise between the location of the leisure centre and the outdoor water facilities. This would impact management, operation, experience and any further safeguarding requirements.

1.44 As a consequence, this site option limits the Councils ambitions to create an enhanced and improved destination facility, it does not align with the demand analysis or consultation results which highlighted concerns on integrating a new facility into the proposed residential development and the user experience/ performance of different types of facilities (eg lido).

1.45 In consideration, further analysis was undertaken to identify alternative locations within the wider GNLP site (outside of the head lease area) which could accommodate all design options (A, B and C). The disused bowling green and associated vacant pavilion was highlighted for further exploration. The site has not been utilised for approximately 5/6 years and has been subject to anti-social behaviour and vandalism.

1.46 An initial high-level appraisal, reveals that this area can accommodate a larger footprint facility with an increased and enhanced mix of facilities, aligning with the demand analysis and engagement results. The perceived additional benefits of this location strengthen the connection to Glebelands Open Space, improving access between indoor and outdoor leisure facilities. In addition, a new

leisure centre located within this zone provides for major enhancement opportunities whilst retaining its identity as Finchley Lido.

1.47 Locating a new facility on the disused bowling green site, still provides for improved visibility and access as part of the GNLP development. It has been identified that the area would require reconfiguration to optimise car parking and access arrangements. Through further design development it is proposed that this is explored in more detail especially in the context of adjoining leaseholders.

1.48 To create an attractive new destination facility, the preferred location for a new leisure centre is to pursue development on the former disused bowling green and associated pavilion.

### Capital and Revenue Cost Estimates

1.49 The cost of building a new leisure centre will depend to a large extent on the final detailed design. Typically, this is not anticipated until the technical design stage (at RIBA Stage 4), and usually in advance of a planning submission. Other items that impact the final capital cost include risks that materialise during construction and scope changes that are requested post confirming the final design. As part of developing the Outline Business Case, both the Council and Regal London have conducted an independent assessment for each option (A, B and C) which has been undertaken by qualified quantity surveyors to provide cost estimate information.

1.50 As a prospective scheme remains in early development and subject to agreement, several assumptions and exclusions have been applied until further investigations have been conducted. For the purposes of progressing the Development Agreement (referred to in section 1.20), a key principle of the DA is that Regal will pay the Council a premium amount to deliver a new leisure centre. The value is based upon design option C, as this is the mix perceived as closest as a comparator to the existing facility. In opting to proceed with an enhanced facility, additional investment will be required to fund the variance between the minimum premium and Option B.

1.51 The table below reflects a summary of the capital cost estimates for each of the design options based on high level information.

All £m	Option A	Option B	Option C
Total Cost Estimate	TBC - £49,875,271	£40,087,940 - £45,680,124	£24,633,451 - £29,271,746

1.52 Depending on the final cost of construction and the commercial agreement, there are various scenarios as to how much the Council would need to contribute towards the development under each design option. The business case has assessed the funding options available, which could be accessed via CIL and/or prudential borrowing which would enable the development of Option B. Further detail is provided in section 5 of this report.

### Revenue Projections

1.53 Business plans have also been developed for each of the design options which sets out associated income and expenditure projections. This also includes a 'do nothing' status quo scenario which has assessed the impact of not redeveloping a new facility. Under this scenario it is assumed that the financial performance of the facility will deteriorate as new competition enters the area, taking away existing customers with a higher quality offer, and the building continues to age which

increases operating costs. This scenario results in a negative financial position beyond the Councils leisure management contract which is due to expire in 2028.

1.54 The net revenue projections associated with Option A, B and C are all assumed to produce a significant saving when compared to the status quo option (do nothing). However, when assessing the revenue potential of all three options, Option B produces the greatest projected net operating surplus, this is largely due to the range and type of facilities included. The mix of facilities in Option B are greater than Option C and therefore would attract a greater number of users each year. Option B also has less demanding operational requirements than Option A, which has higher levels of expenditure, and this is reflected in the income potential which is lower than Option B.

### Social Value

1.55 As part of the business case, a financial model was used that calculates the economic, social, health, employment, and wellbeing benefits in real time using the actual data and the Office of National Statistics local datasets to reflect within the model the multiplier effects, displacement, deadweight or leakage calculations which will generate the key outputs of jobs, gross value added and health and well-being.

1.56 The table below presents the social and economic impact of each design option and capital cost variation. These figures have been considered alongside the financial information and results of the public consultation when determining the recommended option to progress.

All £m	Option A	Option B	Option C
Total Social & Economic Value	TBC £56,526,719	£47,411,581 - £48,692,201	£31,282,264 - £32,344,442

1.57 It is expected that a new leisure centre will create a considerable level of both social and economic value to Barnet. It is worth noting that the funding model adopted to deliver a new facility does not have an impact on the results, however the capital cost of the development is material to the results.

1.58 A further breakdown is located in section 4.8 of this report.

## 2. Alternative Options Considered and Not Recommended

2.1 The existing leisure facility will require continued investment up to the end of its useful life. If 'Finchley Lido' is not replaced, the cost of managing it for an operator will increase as the building continues to age (e.g. due to increased maintenance and energy costs and declining usage) and therefore the Council's leisure management contract (existing contract expires 2028) will not be as attractive to the market and as financially advantageous to the Council.

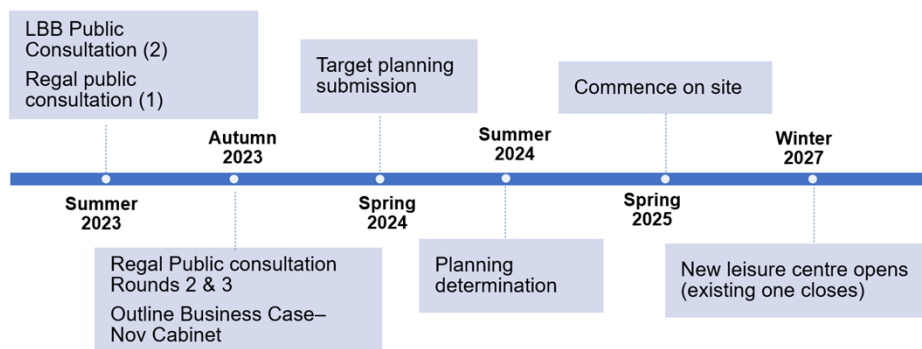
2.2 Not to extend the headleases or vary the terms; would mean that no new housing (including affordable housing) could be provided at the GNLP, and that any leisure centre re-provision could not be funded from the redevelopment.

2.3 Allow Regal to do a variation of their headlease only without the condition for the re-provision of the leisure centre. This scenario would mean that Regal would pay the Council a premium in the region of circa £5m but it is considered that this would present a missed opportunity for the Council to re-provide the outdated Finchley Leisure Centre.

## 3. Post Decision Implementation

- 3.1 The business case has been developed on the basis of providing a recommended option with regards to: capital and revenue estimates, demand analysis, engagement results and strategic alignment to Our Plan for Barnet priorities.
- 3.2 It should be noted that further work will need to be undertaken in the next phase to determine a more detailed design specification, alongside site surveys and investigations. This also includes further consultation with adjacent leaseholders to the bowling green site area.
- 3.3 The above items will support in developing the most appropriate funding model to deliver Option B. The Council will work with Regal London, GLL (the Councils leisure operator) and other key stakeholders to inform this exercise and ensure due diligence remains.
- 3.4 In progressing Option B, the Council will commission technical support to provide additional assurances to the developing programme. A project team will be established which includes representation from officers that are responsible for leisure, regeneration and capital delivery.
- 3.5 A high-level timetable is set out below which identifies the key milestones; noting that respective stages are subject to the relevant approvals and consents to enable progress.
- 3.6 Timescales are also subject to change.

### Timeline



- 3.7 Additional actions to be progressed post Cabinet include;
  - Continue to negotiate and finalise the DA in line with the Cabinet decision;
  - Service of a VEAT notice at the appropriate time;
  - Preparation and consideration of an equality impact assessment.

## 4. Corporate Priorities, Performance and Other Considerations

### Corporate Plan

- 4.1 A series of cross cutting priorities have been identified as part of developing a new facility that contribute towards the Councils Plan for Barnet. These are;

<b>People</b>	<b>Places</b>	<b>Planet</b>
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<ul style="list-style-type: none"> <li>• Creating a family friendly attraction;</li> <li>• Focussing on prevention to help people live well and stay healthy and happy;</li> <li>• Tackling inequalities by giving everyone equal opportunities to be active;</li> <li>• Helping children achieve a healthy start in life through physical activity.</li> </ul>	<ul style="list-style-type: none"> <li>• Helping to meet the physical activity needs of a growing population;</li> <li>• Helping make Finchley a thriving, safe and attractive place to live;</li> <li>• Developing a facility that offers fun for residents of all ages and is not just a traditional leisure centre.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing the local environment and green spaces around the GNLP;</li> <li>• Aiming for a Net Zero Carbon development;</li> <li>• Giving people opportunities to be physically active by providing an active environments.</li> </ul>
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**Corporate Performance / Outcome Measures**

4.2 A new leisure facility will support in delivering Our Plan for Barnet, specifically under the Borough of Fun and Enhancing Greenspaces themes which seek to increase engagement, and improve and enhance our leisure facilities and parks.

**Sustainability**

4.3 A new leisure centre will be designed and constructed with the aim of being carbon neutral. A key principle of the design will be to achieve BREEAM excellent standard (Building Research Establishment Environmental Method). Throughout the design, construction and delivery the Council will work with Regal to ensure that the centre will incorporate the highest standards and use of technology to ensure energy efficiency and to keep carbon emissions as low as possible.

**Corporate Parenting**

4.4 Not applicable.

**Risk Management**

4.5 At this stage a number of high-level risks have been identified which will be monitored as the project progresses.

4.6 Broadly these are;

Risk	Impact	Likelihood	Mitigating Action
Opposition to leisure centre redevelopment scheme.			Establishment of consultation and engagement plan, which includes a range of communication methods to obtain resident feedback.

Wider GNLP development is not supported			Liaison with Regal London to assess impact and implications.
Objection to planning application.			Strategic planning advice to be obtained.
Increased lifecycle and maintenance of facility if not developed			The existing facility is subject to an ongoing programme of maintenance. The associated costs are expected to increase as the building continues to age.
Failure to secure the funding strategy to deliver Option B			Review of CIL programme and funding model to deliver.
The projected revenue does not meet anticipated forecast.			The feasibility study findings have formed a cautious baseline for the capital costs and income estimates. Further financial modelling and testing will be undertaken.
Project resource has the appropriate technical expertise.			Early engagement with key stakeholders for the design and build elements. Appointment of cost consultant and technical project manager.
Technical studies and investigations reveal adverse impact to programme			Establishment of project team meetings with key stakeholders.
Design and Build appointments and arrangements.			Provisions in place to ensure suitable contractor appointments are made to deliver a high-quality leisure centre.
Capital cost estimates increase – resulting in impact to programme and budget.			Appointment of cost consultant to provide technical assurances.
Risk to MTFS delivery – in the event that the Council is not able to secure the same commercial terms in a future leisure contract agreement.			Assessment of the Councils leisure management contract to ensure that it still meets the Councils priorities.

4.7 The project will establish a full risk register which will be updated and monitored regular and reported as part of the Councils risk management process.

## Insight

4.8 The Outline Business Case has been developed utilised insight taken from supply and demand analysis (detailed in the Strategic Outline Case - April 2023), in addition to two separate rounds of engagement. This information has been supplemented by capital cost information, whereby market conditions have been assessed and costs have been estimated benchmarked on recent leisure centre projects. Revenue estimates have also been gathered based on existing and future projected performance, based on market trends and available sector information.

### Social Value

4.9 Please also refer to Section 1.55.

4.10 Below is a detailed summary of the social and economic impact of each design option against the minimum and maximum estimated capital costs;

All £		Option A	Option B		Option C	
Capital Cost	TBC	£49,875,271	£40,087,940	£45,680,124	£24,633,451	£29,271,746
Economic Benefits						
Gross Added Value - Construction	TBC	£11,421,527	£9,180,210	£10,460,831	£5,641,105	£6,703,282
Gross Added Value - Operations	TBC	£7,882,015	£4,589,528	£4,589,528	£2,544,195	£2,544,195
Social Value						
Physical and Mental Outcomes	TBC	£4,628,576	£4,183,249	£4,183,249	£2,872,030	£2,872,030
Mental Wellbeing	TBC	£22,255,916	£20,114,619	£20,114,619	£13,809,786	£13,809,786
Individual Outcomes	TBC	£175,925	£158,999	£158,999	£109,161	£109,161
Social and Community Development Outcomes	TBC	£10,162,759	£9,184,975	£9,184,975	£6,305,987	£6,305,987
<b>Total Social &amp; Economic Value</b>	<b>TBC</b>	<b>£56,526,719</b>	<b>£47,411,581</b>	<b>£48,692,201</b>	<b>£31,282,264</b>	<b>£32,344,442</b>

## 5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

## **Financial Overview**

- 5.1 As referred in section 1.52, the business case sets out the capital and revenue estimates for each design option, in addition to a range of scenarios, including the implications of a 'do nothing', status quo option for comparison.
- 5.2 This exercise has also analysed the overall viability of each option using a net present value (NPV) assessment. This assessment takes the capital cost (or the portion of it that the Council will be liable for) and revenue surplus for each option over a 50-year period and discounts the value of future cash flows to today's values. For clarity, Government guidance has been followed by applying a 3.5% annual discount rate to bring all future costs and benefits attributable to the investment back to a current common value.
- 5.3 A key part of these calculations is to identify the amount of capital that the Council will be required to invest to deliver the project under each option. This will not be the full capital cost as Regal London will be investing into the cost of the new leisure facility as part of the Development Agreement.
- 5.4 The model assumes that Regal are able to fund the cost of Option C and the Council funds any variance to deliver Option B. The total estimated cost at this stage of delivering Option B is between £40.08 -£45.6m.
- 5.5 To deliver Option B, the Council is likely to require additional funding between £11-17m. The next stage of the assessment has taken into account the prudential borrowing required to finance the funding gap. An optimism bias has been included at 10% which is lower than the standard Council approach, however reflects the upper cost estimate scenario and assumes Regal will share liability for a series of risks associated with delivery.
- 5.6 The NPV calculation has been modelled on two different scenarios, one which assumes the existing leisure contract expires and the future cost of delivering a new centre would revert to the status quo option. The other calculation is based on the existing management fee for Finchley Lido as part of the leisure contract. Both these options produce a negative result when prudential borrowing alone is considered as the only funding route.
- 5.7 However, other funding options which include accessing community infrastructure levy (CIL) can provide support in progressing Option B. A model which assumes total CIL investment to fund any variance would enable Option B. There will be sufficient CIL monies generated through the GNLP development which could be utilised to support the anticipated funding gap.
- 5.8 It is also important to consider future commercial opportunities which could be derived from a new or extended leisure contract. The Councils existing leisure management contract with GLL expires on the 31<sup>st</sup> March 2028, however includes an option to extend subject to performance and agreement.
- 5.9 Subject to the relevant approvals and consents, a new facility is anticipated for completion in late 2027, coinciding with the pending expiry of the Councils leisure contract. It is proposed that a commercial and legal review is explored with GLL to appraise the benefits of a contract extension.

## **Tax**

- 5.10 Assuming Option B is pursued then advice from KPMG indicates that the Council could be exposed to a liability to SDLT in respect of the surrender of the existing leisure centre site. The SDLT analysis is based on the fact that the extension to the GNLP Headlease term will at law constitute a



surrender and re-grant of the GNLP Headlease. The effect of this is that the Council is (1) taking a surrender of the GNLP Headlease; (2) granting a new GNLP Headlease; and then (3) (once the new leisure centre is completed) surrendering its underlease of the existing leisure centre. The value of the existing leisure centre is therefore brought into account for the purpose of SDLT calculation. In addition, consideration needs to be given to the surrender by Regal of the “sliver” of land comprised in its headlease of land to the north of GNLP, which is needed in order to facilitate the delivery of the NLC on the former bowling green site. KPMG’s advice on any SDLT implications of this aspect is also being sought.

### **Design, Build and Delivery**

5.11 The Council will work with Regal London to deliver a new leisure Centre.

5.12 There are several benefits which have been identified in Regal delivering the scheme on the Councils behalf, these are;

- Economies of scale, given that Regal will be delivering the wider GNLP scheme.
- Accelerated route to market, resulting in more efficient programme.
- Avoiding the need for the Council to identify a design and build team directly.
- Opportunities to reduce the overall cost of procurement and resources required by the Council.
- A more cohesive masterplan for GNLP and the site, working together in partnership.
- Avoid the need for separate contractors working / accessing parts of the same site areas.

5.13 In progressing this option, and ensure that technical assurances are achieved and quality is not compromised, the following items will need to be addressed as part of the Development Agreement and programme with Regal;

- Ensure that the Council has the ability to secure an appropriate level of control over design and finishes through the Development Agreement;
- Agreeing some form of risk share with Regal London on the cost of developing the leisure centre;
- Ensuring that Regal London has a professional team and sub-contractors in place who are suitably experienced in developing sport and leisure facilities.
- Ensure that a Project Board is established between stakeholders to govern and provide oversight to the programme.

## **6. Legal Implications and Constitution References**

6.1 The Council has the power to acquire and dispose of land in accordance with Sections 120 to 123 of the Local Government Act 1972, and subject to obtaining all appropriate consents and approvals.

6.2 The Council has a range of powers including the general power of competence under Section 1 of Chapter 1 of the Localism Act 2011 to do anything that individuals can do subject to any specific restrictions contained in legislation and Section 111 of the Local Government Act 1972

which provides that a local authority has power to do anything which is calculated to facilitate, or is conducive or is incidental to, the discharge of its functions.

6.3 The Council will need to consider, comply with, and obtain any statutory and legal requirements /consents to give effect to the proposed disposal.

6.4 In respect of any disposal of land arising from this decision the following provisions will apply:

- s 123 (2) of the Local Government Act 1972 states that, except with the consent of the Secretary of State, a council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than best that can be reasonably obtained;
- Section 123(1) of the Local Government Act 1972 permits Councils to dispose of land in any way they wish subject to the remainder of section 123, including section 123 (2) mentioned above

6.5 **Procurement** –Counsel has advised the Council that Regulation 32(2)(b)(iii) of the Public Contracts Regulations 2015 provide Regal with exclusive rights to develop out the new leisure centre. Counsel recommends the service of a VEAT notice at the appropriate time.

6.6 Under Part 2D of the Council’s Constitution, Cabinet is responsible for all key decisions namely:

“an executive decision which is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the budget for the service or function to which the decision relates; or

an executive decision which is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough”.

A decision is significant for the purposes of the above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question;

Under the Council’s Constitution, Part 2B also includes the terms of reference of the Cabinet includes the following functions:

- Development of proposals for the budget (including the capital and revenue budgets, the fixing of the Council Tax Base, and the level of Council Tax) and the financial strategy for the Council;
  - Monitoring the implementation of the budget and financial strategy;
  - Recommending major new policies (and amendments to existing policies) to the Council for approval as part of the Council’s Policy Framework and implementing those approved by Council;
  - Approving policies that are not part of the policy framework;
- Management of the Council’s Capital Programme;

6.7 Under the Public Services (Social Value) Act 2012, when procuring the provision of services together with the carrying out of works, a local authority is required to consider—

(a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and

(b) how, in conducting the process of procurement, it might act with a view to securing that improvement; and whether to undertake any related consultation. This has been observed as this forms part of the regeneration of GNL and North Finchley more generally.

## 7. Consultation

- 7.1 From December 2022-February 2023 the Council undertook initial engagement activities to gauge views on usage, redevelopment of the centre and potential relocation. This phase provided emerging facility mix options to be further tested.
- 7.2 In May 2022, parallel with the development of an Outline Business Case, the Council commissioned the support of Mobilise Public Ltd (Mobilise) to support the delivery of further public consultation and engagement. The objectives this phase of public consultation were to build upon the first phase of feedback, understand public opinion on the various potential facility mix elements and options for consideration.
- 7.3 A range of engagement methods were adopted which included; 'community conversation' focused workshops, drop -in sessions and an online survey. In addition to FAQs which were displayed on the Councils Engage Barnet platform. All activities were promoted and communicated via leaflet and poster distributions, direct emails to stakeholders and networks, and via social media.
- 7.4 This round of engagement resulted in a total of 516 responses, which is broken down as follows;

*Community Conversation Workshops: (undertaken during July 2023).*

- 4 workshops were held attracting 33 residents in total.

*Drop-in sessions: (hosted during August 2023)*

- 3 drop-in sessions were held at Finchley Lido Leisure Centre with 100 people in attendance.

*Online Survey: (from 27<sup>th</sup> July – 8<sup>th</sup> September inclusive)*

- The survey received 383 responses.

- 7.5 Consultation activities ran alongside Regal London's consultation on the masterplan for GNLP, which sat independently from the Council's activities. However, it is acknowledged that some residents are likely to have provided feedback to both sets of consultation activities.
- 7.6 The findings from the consultation carried out between July-September 2023, corresponds with the first engagement which identified an emerging mix of the types of facilities for consideration. There were also other items which included;
- The leisure centre is a very important asset to residents - reflected across engagement activities.
  - It provides health and well-being, fun and family friendly activities, community spaces, opportunities for young people and older people, and outdoor facilities.
  - Relocating a new facility to the front of the site has perceived benefits – however, moving away from the green space was seen as a loss, noting that increased noise/pollution levels need to be addressed in the design process.
  - 'Like for like' offer is not sufficient – there is a perceived and evidenced lack of supply for certain facilities at present (eg studio space) and increased residential density will put additional pressure on a centre with high demand already.

- Gym and class facilities are important, and an enhanced fitness suite offer should be considered to accommodate demand.
- Indoor water is very important to residents and a priority provision for the new leisure centre (eg 25m x 6 lane pool)
- There was a desire for increased/enhanced provision of indoor water facilities.
- The survey indicated residents prefer a mix of water facilities (e.g., a swimming pool, a leisure pool, a learner pool and an outdoor pool).
- Activities and facilities for children and young people are regarded as highly important, including social spaces (eg café).
- Across all engagement methods, the sauna and steam room were the most popular options for spa facilities.
- Many respondents had not used the current outdoor lido (52%) and gave this a low rank when considering the overall facility priorities

7.7 The total number responses are a mix of qualitative and quantitative methods and the questions varied across the different methods, so they are not always comparable. Some of the key characteristics important to residents and highlighted throughout the consultation were;

- Availability (quantity) of free parking
- Locality (walking distance or public transport routes)
- Affordable
- Inclusive
- Facility offer, in particular the indoor water options

7.8 A full consultation summary report can be located at Appendix B.

## **8. Equalities and Diversity**

8.1 The business case and recommendations have considered equalities impact. In proceeding with the redevelopment of a new leisure centre, further assessments will be undertaken to ensure that a new facility exceeds the relevant design standards and practices. An equality impact assessment is to be obtained.

## **9. Background Papers**

9.1 [Agenda for Policy and Resources Committee on Thursday 20th April, 2023, 7.00 pm \(moderngov.co.uk\)](#) – Item 9