

Meeting Executive
Portfolio Area Regeneration
Date 2nd February 2022



TOWNS FUND BUSINESS CASES – SPORT & LEISURE CENTRE

KEY DECISION

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1 PURPOSE

- 1.1 Stevenage was successfully awarded £37.5m of funding through the Government's Towns Fund programme. Full business cases must be developed and approved by 24th March 2022 for each of the projects that comprise the Stevenage Towns Fund programme. The Council, as Accountable Body, must provide final sign-off for each of the business cases, in accordance with the Towns Fund Stage 2 Guidance. Full Council has delegated approval of each of the business cases to the Council's Executive committee.
- 1.2 This report relates to the Sports & Leisure Centre project, which includes the provision of a new swimming pool, gym, spa and youth services. The project will provide high-quality facilities that provide an attractive sports, health and wellbeing offer for residents and visitors, whilst also delivering a key component of the Council's regeneration strategy, by creating a vibrant two centre with leisure, culture and experience at its heart.

2 RECOMMENDATIONS

That Executive:

- 2.1 Note the feedback from the Stevenage Development Board.
- 2.2 Approve the Sport & Leisure Centre business case and delegate authority to Strategic Director (TP) to submit the project summary to the Department for Levelling Up, Communities and Housing Towns Fund team on behalf of the Council (acting as Accountable Body).
- 2.3 Endorse development of a detailed project delivery plan including detailed funding plan, and continued engagement with key stakeholders

3 BACKGROUND

- 3.1 In September 2019 the Government invited 101 towns to develop proposals and bid for funding for a Town Deal, as part of the £3.6 billion Towns Fund. Stevenage was identified as one of the 101 eligible towns. Background relating to this process, the development of the Stevenage Town Investment Plan (STIP), and the approval process for the business cases is contained within Appendix A. The breakdown of funding is identified below:

Project	Total (£)
Stevenage Enterprise Centre	4,000,000
Gunnels Wood Road Infrastructure Improvements	1,000,000
Station Gateway Enabling Works	6,500,000
Marshgate Biotech	1,750,000
Stevenage Innovation & Technology Centre	5,000,000
National New Towns Heritage Centre	2,000,000
Stevenage Sports & Leisure Hub	10,000,000
Cycling Connectivity and Arts & Heritage Trail	3,500,000
Town Centre Diversification & Garden Square	3,750,000
Total	37,500,000

- 3.2 All business cases relating to the Stevenage Town Investment Plan are required to be approved by the Accountable body before 24th March 2022. To recap, business cases must include:
 - The evidence for the intervention using rigorous analysis of quality data and the application of best practice.
 - An assessment of value for money, including showing how different types of projects will be compared and assessed.
 - A clear economic rationale, justifying the use of public funds in addition to how a proposed project is expected to contribute to strategic objectives.
 - Clearly defined inputs, activities, outputs and anticipated outcomes.

- Appropriate consideration of deliverability and risk along with appropriate mitigating action.
- Whilst there is no minimum value for money threshold set for Towns Fund projects, in order to follow best practice, all business cases must contain robust value for money assessments.
- Business cases should address, in a proportionate manner, the five cases set out in the HM Treasury Green Book.

Sports & Leisure Hub summary (£10,000,000)

- 3.3 Full information on the Sports & Leisure project can be found in Appendices B & C. The project will deliver high-quality multi-purpose sports and leisure facilities in the heart of Stevenage Town Centre. The project provides a unique opportunity to consolidate three existing buildings, and develop a state of the art Sport & Leisure Hub including swimming, studios, gym space, and flexible sports facilities adjacent to the main Town Centre Gardens on the current Swimming Centre and Bowes Lyon House site. The delivery of this new facility will consolidate town centre sport and leisure provision into one central location, incorporating young people services and providing a modern 21st Century facility for the town's residents.
- 3.4 The new facility will offer a new focal point for the town, encouraging greater levels of participation in sport, delivering improvements in health and well-being; enhancing the Town Centre Gardens and improving access to green spaces and connectivity with Stevenage's old town. With the existing Swimming Centre integrated in to the new facility, it will unlock a brownfield regeneration site to incorporate an estimated 200 homes in a housing scheme. With the existing leisure centre relocated from its current location, a further step is taken towards unlocking the redevelopment of the Station Gateway; a Major Opportunity Area listed in the Stevenage Central Framework and a connecting Town's Fund project, which activates further regeneration opportunities.
- 3.5 The Stevenage Sport & Leisure Hub is key to unlocking a wide array of health and regeneration benefits. Not only will this project deliver significantly improved facilities within an integrated sport, leisure and wellbeing offer, it is pivotal to the transformation of the town centre, building on the work of the Grimsey Review to diversify town centres and use leisure and culture as destination attractors. The new Sport & Leisure Hub compliments the regeneration of the eastern edge of the town centre, providing enhanced linkages from the centre right through to the neighbouring residential areas. It begins to feel like a sports and cultural attraction which will draw visitors to Stevenage. Key elements of the scheme are likely to include:
- New 10-lane swimming pool and teaching pool with moveable floor to enable enhanced swimming lessons
 - Leisure splash zone to enable water play for younger children
 - Multi-purpose sports hall to provide array of sports sessions

- 200 station state of the art gym with 3 exercise studios
- Health & wellness spa and ancillary facilities
- One Stop Shop information & advice centre for youth services

- 3.6 The proposed future-proof building will create a convenient place integrating three existing building services into one state of the art facility with use of modern technologies: this will enhance the visitor's experience, generate a capital receipt from redeveloped land, deliver operational cost savings, and better integrate the way in which partners work.
- 3.7 There is a significant opportunity to utilise this project to address some of the health and wellbeing challenges in Stevenage. The potential integration of the Healthy Hub would enable bespoke facilities that access a greater number of people, as well as provide a secure long-term setting. Stevenage consistently performs below the County average on a wide range of health indicators, such as smoking, obesity and exercise levels, and this facility provides an opportunity to form a focal point of active lifestyles and wellbeing, to be promoted by health partners across the town. Stevenage underperforms in terms of population health compared with the England average, and there are many disparities and deeply rooted health inequalities across the town: 19% of children live in low-income families; life expectancy for women overall is lower than the England average; life expectancy for men in the most deprived areas is 4.8 years lower than those in rest of the UK's least deprived areas
- 3.8 One of the other benefits of the business case is that it consolidates the wet and dry leisure facilities in to one site; these are currently located on two separate sites, the existing swimming pool on St George's Way, and the gym facilities which form part of the leisure box. One of the aspirations of the Stevenage Central Framework regeneration strategy is to enable the redevelopment of more land between the station and the Town Square, unlocking the Station Gateway transformation area. This would include an improved theatre offer in the future as part of any regeneration, with further work required in the future to explore the options.
- 3.9 The work to produce the business case has been carried out alongside the preparations for the procurement of a new leisure operator contract, with the planned new facility likely to be a key attractor in a competitive operator market. Whilst the project has a significant capital cost, operation of the new facility should unlock revenue benefits to contribute towards the construction over the course of its lifetime. There has been positive liaison between the leisure and regeneration teams to ensure that the projects align and are complimentary in their objectives, with the engagement carried out to explore what people want from leisure facilities in the future used to inform the business case.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 This report recommends approval of this Stevenage Towns Fund business case, which sets out a case for:
- Sports & Leisure Hub (£10,000,000)
- 4.2 Both the summary version and full version of the business case have been included as appendices to this paper. The business case provides detailed assessment of the strategic, economic, financial, commercial and management elements of the business case, with detailed consideration of the benefits, risks, outputs and outcomes of the project.
- 4.3 The business case under consideration has been reviewed by the officer group and Assurance Panel, which includes the Chair of the Stevenage Development Board.
- 4.4 To date, the Assurance Panel, which is made up of representatives from the Board and supported by Stevenage Borough Council Officers, have provided support for the business case. Key comments from the assurance panel are summarised below:
- Ensure that the health benefits are emphasised as part of the business case rationale, with a unique opportunity to address some of the health challenges Stevenage faces
 - Capture benefits of co-locating within a modern facility, and the climate change benefits of moving out of buildings that are not fit for modern operations
 - Highlighting points which will need to be given careful consideration during the early design stages, such as the proportion of on-site car parking and the access across St George's Way
 - Consideration of the optimum way to reference the development opportunities this could unlock as part of the Station Gateway due to the vacated leisure site, and how to frame proposals for the stages this could go through
- 4.5 The business case was presented to the Stevenage Development Board on 20th January 2022, incorporating feedback from the Assurance Panel. The project attracted positive support from stakeholders, with enthusiasm and optimism for the project, which was unanimously endorsed by the Board. Some comments also provided scope for future work and focus, such as reviewing the programme to look for opportunities to bring the project forward earlier, and opportunities to champion the health and wellbeing benefits.
- 4.6 The purpose of this project is to deliver a modern, flexible, multi-purpose hub of sports, leisure, wellbeing and youth services to meet the needs of Stevenage residents and visitors for many years to come. This has multiple aims, including providing high quality facilities for our residents, forming a key part of our place identity and regeneration strategy, unlocking future redevelopment sites, providing an opportunity to address health and wellbeing challenges in an integrated way, and increasing visitor numbers to

the facility. This is considered to be a significant benefit to the town, delivering a number of priorities as part of the Future Town Future Council programme.

- 4.7 The business case provides a thorough assessment of each of the above points, including the production of a high-level draft business plan, which will be evolved as the project progresses. Overall, the Council as Accountable Body is in a position to advise Government that the conditions have been met in the business case, and will be continually monitored throughout the project.
- 4.8 The alternative options available to the Council are:
- Not to approve the business case, or
 - Defer approval of the business case until any issues are resolved or further information is provided.
- 4.9 Based on the information presented, Officers are satisfied that the business case can be suitably controlled through conditions relating to the drawdown of funding, and no further amendments are required. It is acknowledged that the business case is a living document, which will be updated as developments progress. The other options available would have a significant detrimental impact on the success of the Towns Fund and Transforming Our Town programme, with no tangible benefits.
- 4.10 If the recommendations are approved, the next stage of the process will be to develop a detailed project delivery plan, including detailed funding plan. This will focus on; the processes for delivering the project including the specific lead officers, project team and governance arrangements; a detailed funding plan to review options to fulfil the match funding commitment; and a review of opportunities relating to the precise timing of delivery, noting the Towns Fund spend requirements. This will also include a plan for further engagement throughout the process.

5 IMPLICATIONS

Financial Implications

- 5.1 In relation to the Sport & Leisure business case, this was one of the larger projects included in the Stevenage Town Investment Plan. Following the award of funding in principle (offer letter), £37.5m on funding was awarded to Stevenage. Of this, £10m was allocated to this project.

Specialist consultants, in conjunction with Council teams, have previously produced a high-level schedule of accommodation, cost plan and business plan. The Council as part of the re-procurement of a leisure operator, this work has been updated based on current assumptions and including inflation, although it is important to note that inflation pressures could result in a higher contract price at the point at which the construction contract is agreed. The total project cost is below:

Funding Profile	Total
SBC	£29,220,000
Town's Fund	£10,000,000
Other	£5,000,000
Total	£44,220,000

- 5.2 The precise cost of the facility will only be known when further detailed design work has been carried out, but the figure above provides a high-level estimate based on robust information and evidence. It is envisaged that Community Infrastructure Levy (CIL) and capital funding from external partners would contribute circa. £5m of match funding, however this is a funding assumption only at this stage and remains a risk, so in reality the maximum match-funding the Council is responsible for assembling would be £34,220,000, based on the feasibility work. However if the total built cost were to increase then clearly the amount to be met by the Council will be high.
- 5.3 The Council will need to develop a funding strategy to meet its cost of the construction based on a combination of available capital resources, borrowing if affordable and development of land sites to generate capital receipts versus value engineering of the construction cost.
- 5.4 In considering the overall financial risks of match-funding cumulatively to those already approved. Across tranche 1 and 2, the Council is exposed to circa. £1.25m of capital that could revert to revenue if a capital scheme is not delivered across the Gunnels Wood Road and Station Gateway projects, and circa. £3m of direct match-funding to deliver the Station Gateway project. Ahead of this paper, a further £936k in direct match-funding and £2m in indirect match-funding is proposed for the Heritage Centre.
- 5.5 To mitigate further financial risk through this business case, the funding strategy identified above for the total sum of match funding will need to be approved before significant Town Fund monies are released. This is because if the Council were not able to match fund the costs they would need to be repaid to the Towns Fund and potentially aborted costs would become General Fund expenditure.

Legal Implications

- 5.6 In relation to the Sport & Leisure Centre business case, the approval process previously set out at Executive and Council (“Transforming our Town Centre progress update and Towns Fund decision making”) has been followed, and the documents have been prepared in accordance with the Towns Fund Stage 2 Guidance referenced in the decision-making report. There will be further decision-making gateways required, including separate consideration of the planning application, and consideration of the funding plan for the match funding, as this is a project that will be delivered by Stevenage

Borough Council. Due to the size of the project, it is anticipated that the project will have a Full Council gateway at a later stage.

Risk Implications

- 5.7 Full details of risks relating to each of the business cases can be found within the full business case.
- 5.8 The Towns Fund programme provides a significant opportunity to draw in substantial levels of funding to support the regeneration of the town. Across a range of projects, there are elements of risk, as some projects will require match funding (as set out in the business case), or require capital investment and to proceed into delivery to avoid project costs generating revenue impacts. A number of strategic risks have already been identified for this project. The key risks include:

Stevenage Sports and Leisure Hub Project Risk Register

Risk Register L: Likelihood; I: Impact; T: Total

Ref.	Risk	Triggers	Consequences	Controls	Risk Score			Contingency	Responsible Person	Date: Added/ Updated
					L	I	T			
001	Covid-19 Outbreak and possible introduction of lockdown measures	Negative changes to working practices through social distancing. Uneconomical for construction supply train to operate. Added delays due to drop in output levels through covid	Shortfalls in manufacturing capacity causing price inflation. Project delay by significant social distancing measures. Negative Change in payment practices.	The need to implement practices to ensure safety. Client, consultants, and contractors work together to agree common solutions. Innovative approaches to procurement are in place. Allow for time extension in contracts. Monitor financial resilience of supply chains.	4	4	16 R	Scenario planning to assess the impact of the closedown and reduced output levels and advise clients accordingly to ensure timely completion. Bring in additional temporary labour. Review planning conditions and seek changes where possible to enable sites to operate in shifts over longer working hours. Manage cashflow.		

002	Construction labour shortages create delays	Conclusion of contracts with building contractors for public realm and site redevelopment EU restrictions (Brexit) on contractors and independent consultants	Delays to completion of both due to recruitment difficulties for contractors and consultants, Cost overruns	Appropriate and timely contractual arrangements	4	5	20 R	In development agreement with contractors and with public realm contractors incorporate commitment to bring in additional temporary labour to ensure projects are completed on time.		
003	Labour shortages in freight transport and supply industries delay construction progress	Construction progress reports noting failure to progress on schedule. National shortfall in haulage capacity	Delays to completion of project due to shortages of materials and components. Cost overruns	Contractual arrangements	5	5	25 R	In development agreement incorporates commitment to build up advanced stocks of materials. Build in sufficient contingency time in delivery programme to address possible delays.		
004	Development of the Sports and Leisure Hub constrained by unknown site conditions.	Physical obstructions. Physical conditions. Asbestos removal issues.	Need to change working methods. Revision of the design. Delays in delivering the development. Cost escalation.	Clear and appropriate description of works in technical documents. Clearly defined scope of works e.g. contractor's design obligations and buildability obligations	2	4	8 Y	Contractual provisions to manage unforeseen site conditions e.g. physical obstructions or physical conditions.		

005	Climate changes and weather conditions	Unusually harsh weather conditions. Impact of unusually harsh weather conditions on aspects of project	Bad weather retards progress of the construction programme or parts of the construction programme	Regular progress reviews. Timely communication	3	4	12 O	Build in sufficient slack in the programme to cover for unforeseen eventualities such as weather		
006	The construction cost exceeds the limit for the project or other issues arising during the design & development phase	Capital & revenue overspends. Inadequate project management. Failure to resolve conflicting priorities. Robust financial systems are not established.	Impact on capital programme. Revenue overspends. Requirements to make compensatory savings to balance budget. Increased legal fees. Reputational damage.	Client management relationship. Rigorous and well-informed project monitoring reports. Effective communication. Appointment of key personnel.	3	4	12 O	Appointment of a B&D contractor in a two-stage process with a caveat to end the contract after the first stage should the Council wish to make that decision (PCSA - Pre-Construction Service Agreement). A cost consultant will be involved from an early stage of the project to ensure contractor's proposals are realistic and within budget.		
007	Pricing and usage strategy necessary to create viable project is not in line with stakeholder expectations. i.e. hire charges for club use, membership levels etc.	Inadequate use of data to inform appropriate pricing strategy. Lack of NGB sports data to inform financial robustness of their member clubs. Lack of control over contract operator.	Lack of contract procurement or poor contract could result in financial failure of the centre and lack of control over operations and pricing which will prevent many users from using the facility.	A robust procurement process with a detailed specification and significant controls over operational, maintenance, staffing branding, financial performance and pricing will be put in place prior to opening of a new facility.	1	4	4 Y	SBC has client function over contract operator, set requirements are specified within the contract specification including pricing policies and close scrutiny of monthly profit and loss accounts, annual accounts and will therefore be able to positively react to any potential financial or operational issues that may occur maintains close cooperation with its		

								stakeholder groups (public, private and third sector) and its client groups. Looks at ways in which it can minimise the cost impact by ensuring that all residents have access to services and are supported to make healthier choices wherever possible.		
008	Failure to achieve planning approval	Notification of Council decision	Major delay to completion and project interdependencies.	Planning approval has been expedited and is well advanced. Through consultation, scope of objections well understood.	1	5	5 Y	Close cooperation with Planning.		
009	Constrained nature of the site limits the volume of building which can be accommodated , the range of uses and how the buildings are organised on site.	Funding restricted / stopped. Poor management decisions. Failures in contractor / partnership working. Poor project management. Poor planning	Project delays/over-runs. Reputational damage. Cost overruns. Public dissatisfaction. Discouragement of future partnerships. Delay, impact on service delivery.	Regular meetings with designers / contractors. Effective procurement strategy. Post contract reviews. Regular and timely meetings with planning. Robust project management.	3	3	9 Y	Close cooperation with Planning.		

010	Strong objections from local residents to proposed content and design of the new centre	Publication of outline and detailed designs	Likely delays to construction if design changes are needed	Comprehensive consultation programme particularly at early stage to capture preferences from local residents.	2	5	10 Y	Market Research and focus groups to provide ample evidence of what the public expect from the new sports and leisure centre. Extend process to enable preliminary designs to be market tested with the public.		
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5.9 The key risks and mitigation at a programme level can be summarised as follows:

Key Risks	Mitigation
Business cases and summary sheets are not signed-off / submitted in time and funding is lost	Programme and resources have been established with a dedicated programme manager and oversight from Assistant Director (Regeneration) and Strategic Director (TP) to ensure products are commissioned and programme is on track
Business cases are rejected by Accountable Body/Development Board	Early engagement with both organisations to ensure they are involved and have oversight of business case development, to ensure they are supportive of the direction of travel
Sign-off process and/or decision routes are challenged	Developed sign-off process and governance as set out in this paper in accordance with guidance and best practice
The cumulative risk of Towns Fund projects has a material impact on the Council's Medium-Term Financial Strategy	Each project will highlight the potential areas of risk (in this case, related to the approach to avoid any risks of capital claw back), and previous Towns Fund project. At this point in time the previous Towns Fund project (Gyratory) also highlighted risks of capital clawback, which also has mitigations in place
Money spent at risk not recovered and resulting in a General Fund pressure if projects don't proceed	Careful diligence of spending in early stages of the projects; not progressing to business case stage unless we are confident the project is deliverable; review of risk in entirety across the programme
Funding not sufficiently secured by accountable body, including match-funding	Towns Fund spend profile to be reflected in the Council's capital strategy, with individual projects returning to Council for future sign-off when at a suitably advanced stage to give Members the full information necessary for final budgetary sign-off
Third-parties do not deliver to timeframe or budget, and/or don't follow relevant procurement guidelines	All projects being delivered by a third-party to have a funding agreement in place with the Accountable Body
Business cases called-in and potentially challenged by	Utilising business case template provided through the Town's Fund resource;

BEIS/DLUHC	representative from BEIS to attend Development Board meetings and have sight of business cases at an early stage.
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Policy Implications

- 5.10 The development will contribute to the delivery of regeneration within the town centre and will help to deliver key objectives of the Council's Health & Wellbeing Strategy, Cultural Strategy; Stevenage Central Framework will also help to deliver on the Council's commitment to reducing carbon emissions as stated in the Climate Change Strategy (adopted 2020) through low-carbon developments.

Planning Implications

- 5.11 Planning permission is required and will be sought at a later stage in the project in accordance with the normal gateway process for capital projects.

Environmental Implications

- 5.12 A core value embedded within the framework for appraising Towns Fund projects is focussed on ensuring proper consideration of any Environmental impact, and where possible support the reduction of any impacts.
- 5.13 There is a significant focus on utilising brownfield sites and spaces to their maximum potential through the Stevenage Town Investment Plan, and a clear drive to focus on sustainable travel options, through both public and active transport initiatives.
- 5.14 Better land use planning is a key concept for mitigating emissions and allowing people to make the behavioural changes required to reduce their carbon footprints in the long run. New buildings will improve the environment, not detract from it.

Climate Change Implications

- 5.15 The project will provide a number of opportunities to contribute towards addressing the climate change emergency and net zero targets, through both the sustainable re-use of materials and resources pre and during construction, and designing the building so that it can be operated as sustainably as possible. Practically this could involve the re-use of materials in the groundworks construction, and designing the building to utilise natural ventilation where possible. Further detailed work will be carried out as the project emerges.

Equalities and Diversity Implications

- 5.16 No specific equalities and diversity implications for this tranche of business cases.

APPENDICES

- A Background to the Town Investment Plan development and business case requirements
- B Sport & Leisure business case summary
- C Sport & Leisure full business case