

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND
NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	24 AUGUST 2020		
TITLE:	GREENWICH LEISURE LIMITED - PLANNING COSTS AGREEMENT		
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1. EXECUTIVE SUMMARY

- 1.1 This report seeks permission to enter into a Planning Costs Agreement (PCA) with Greenwich Leisure Limited (GLL) to meet a revised timetable to construct new leisure facilities at Rivermead Leisure Centre and Palmer Park Sports Stadium.
- 1.2 On 20 January 2020 the Council authorised the award of a 25-year contract with GLL to design, build, operate and maintain (DBOM) the Council's four leisure centres; the contract includes:
- A new-build solution at Rivermead, incorporating a new competition standard pool with provision for diving
 - A new community pool at Palmer Park linked to existing facilities
 - Improvements to existing leisure centres at South Reading and Meadway
 - Introduction of membership and customer schemes allowing access to all Council facilities
- 1.3 The Council delegated authority to the Executive Director for Economic Growth and Neighbourhood Services to finalise contractual arrangements in consultation with the Lead Councillor for the Health, Wellbeing and Sport, the Assistant Director for Procurement and the Assistant Director for Legal and Democratic Services.
- 1.4 These contractual discussions were progressing but were disrupted by the Covid19 pandemic and the temporary closure of leisure facilities which has delayed the signing of the DBOM contract. In the interim, officers are seeking permission to enter into a separate PCA with GLL to progress the design and planning approval of the new build elements at Rivermead and Palmer Park. This reduces the impact of the lost time due to Covid19 on the implementation of the scheme, secures the intellectual property rights of the designs developed since the contract award and

progresses the scheme through to planning approval and up to signing the DBOM contract.

- 1.5 A new timetable for both the signing of the DBOM contract with GLL and the construction of the facilities is also set out in the report.
- 1.6 A separate report related to the financial support for GLL due to the impact of Covid19 on the sports and leisure industry is also presented to this Policy Committee.

2. RECOMMENDED ACTION

- 2.1 That Policy Committee delegates authority to the Executive Director for Economic Growth and Neighbourhood Services to enter into a Planning Costs Agreement (PCA) with Greenwich Leisure Limited (GLL) at a cost of £816k, in consultation with the Lead Councillor for Health, Wellbeing and Sport, the Assistant Director for Procurement and the Assistant Director for Legal and Democratic Services.
- 2.2 To note the updated timetable to formally enter into a DBOM contract and construct the new facilities at Rivermead Leisure Centre and Palmer Park Sports Stadium.

3. POLICY CONTEXT

Background

- 3.1 The Council's Corporate Plan 2018 - 2021 (refreshed in June 2019) sets out the key priorities for the Council which include 'Securing the economic success of Reading' and 'Promoting health, education, culture & wellbeing'. The proposals and recommendations set out in this report directly contribute to these priorities by securing a new operator to manage existing and develop new leisure facilities including a competition standard pool with diving provision and a new pool at Palmer Park to replace Arthur Hill Pool. The local economy would be boosted by a significant capital spend of circa £35m in the coming years.
- 3.2 Reading has a range of leisure facilities that are of mixed quality and the Council recognises that the provision of suitable and readily accessible sports facilities underpins participation in sports and physical activity and supports the delivery of the social and economic benefits that can be attributed to an active community. With over 750,000 people using the Borough's sports and leisure facilities across the town each year, Reading needs a leisure offer that reflects its needs and that aligns with the Council's wider policies and priorities, including public health objectives and tackling inequality.
- 3.3 An extensive procurement process to find a leisure partner to design, build, operate and maintain (DBOM) boroughwide leisure facilities culminated on 20 January 2020, with Policy Committee awarding a 25-year DBOM contract to Greenwich Leisure Limited (GLL) and delegating authority to officers to finalise the contract arrangements. The Policy Committee report set out the following timetable:
 - Contract Award Decision - 20th Jan
 - Contract Finalisation - Feb 2020

- New contract start- May 2020
- Construction Commence - Dec 2020
- New pool at Palmer Park open - Spring 2022
- New Pool at Rivermead open - Summer 2022

3.4 Officers were in the process of finalising the DBOM contract terms with GLL, when the Covid19 pandemic broke out in March 2020. This resulted in a Government 'lockdown' and the closure of all leisure centres, swimming pools and gyms including those run by the Council and GLL. Currently, the DBOM contract has not been signed as there were some key terms outstanding, predominantly related to the cost implications of any planning conditions and the lack of detailed survey data.

3.5 GLL have also advised the Council that they do not wish to enter into the DBOM contract at this stage due to the uncertainty arising from Covid19. They do however wish to proceed with seeking planning approval in order to signal their intent to enter the DBOM contract and to minimise any potential impacts on the timeline that was originally agreed. This would involve entering into a separate Planning Costs Agreement (PCA) with GLL to progress the designs and seek to achieve planning consent.

4. THE PROPOSAL

4.1 Currently all design and survey work post 20th January 2020 award of contract to GLL has been running in parallel to the DBOM contract discussions, with costs incurred at risk to GLL. This work was paused in March. Design information has been shared in the spirit of partnering with the Council in the long term. To ensure the intellectual property rights of the design work can be legally owned and used by the Council, a more formal agreement, the PCA, is required.

4.2 The PCA protects the Council in the event that GLL either becomes insolvent or does not subsequently sign the DBOM contract. It means that the Council can access the work which has been commissioned by GLL and take it forward with another partner (if necessary). Without the PCA in place, legal advice is that the Council would not have any intellectual property rights to use the work that GLL has commissioned since 20th January contract award. The PCA brings forward work that would have otherwise been completed within the DBOM contract. In both contracts, the Council obtains legal rights to use any design / survey work, and the work can be sub-licensed to other parties. The PCA becomes particularly relevant if the DBOM contract does not progress for any reason.

4.3 The design work helps to de-risk the DBOM contract by reducing the impact of the current delays to the original programme and costs. Project delay caused by pausing the design and survey work until the formal DBOM is signed would be significant. The work is essential for the grant of planning permission, and the basis of detailed design.

Options Appraisal

4.4 The following options are applicable for consideration:

4.5 **Option 1 - Do nothing - do not enter in to the PCA**

The Council could progress on the basis that GLL will ultimately sign the DBOM negating the need for a separate agreement. In the scenario that the DBOM contract is not signed until 1st April 2021, this would result in a 12-month delay to

the re-starting of the planning design work which paused in March 2020. There would be a subsequent 10-month knock-on delay to the construction start date of Spring 2022 which would mean the new swimming pool at Palmer Park not opening until Summer 2023 and the swimming pool at Rivermead not opening until Autumn 2023.

- 4.6 There would be also be an increase to the final construction cost for the two sites if construction inflation costs continue to rise as predicted. BCIS inflation indices predict a 3.6% construction cost increase between a construction start date of Winter 2020 and a revised construction start date of Spring 2022. Based on the current capital cost for the two sites of £32,828,000 this would potentially increase construction costs by £1,181,808
- 4.7 **Option 2 - Enter into the PCA and complete the design work up to planning submission stage**
The design work would re-start in late August 2020 with a target planning submission in November 2020, seeking planning approval in March 2021. The cost of the PCA up to the end of November 2020 would be £463,625 with a subsequent reduction of this fee from the main DBOM contract. Design work would then stop until the DBOM contract is signed on 1st April 2021 and then continue for 7-months to a start on site in Winter 2021. This would mean the new swimming pool at Palmer Park not opening until Spring 2023 and the new leisure centre at Rivermead not opening until Summer 2023.
- 4.8 There would be also be an increase to the final construction cost for the two sites if construction inflation costs continue to rise as predicted. BCIS inflation indices predict a 2.4% construction cost increase between a construction start date of Winter 2020 and a revised construction start date of Winter 2021. Based on the current capital cost for the two sites of £32,828,000 this would potentially increase construction costs by £787,872
- 4.9 **Option 3 - Enter into the PCA and continue design work through to DBOM signing**
The design work would re-start in late August 2020 with a target planning submission in Late October / early November 2020, seeking planning approval in March 2021. The cost of the PCA up to 1st April 2021 DBOM signing would be £816,035 with a subsequent reduction of this fee from the main DBOM contract. Design work would then continue for 3-months to a start on site 1st June 2021. This would mean the new swimming pool at Palmer Park opening end of September 2022 and the new leisure centre at Rivermead opening end of January 2023.
- 4.10 There could also be an increase to the final construction cost for the two sites if construction inflation costs continue to rise as predicted. BCIS inflation indices do not predict any inflation increases 1st quarter 2021; but do predict a 0.9% construction cost increase 2nd quarter 2021 reflecting a revised construction start date of 1st June 2021. Based on the current capital cost for the two sites of £32,828,000 this could potentially increase construction costs by £295,452.
- 4.11 **The recommendation is to choose option 3** which although has a higher initial PCA fee, this reduces the DBOM contract sum by the same amount. This has less risk for any construction inflationary rises and means the new facilities are opened as early as possible to the original time frames.
- 4.12 Should option 3 of the proposals set out in this report be endorsed the following key milestone dates would apply.

- PCA award - 25th August 2020
- Planning submission - Early to mid November 2020
- Planning Committee - February / March 2021
- Contract Finalisation - Spring 2021
- New contract start- Spring 2021
- Construction start on site - June 2021
- New pool at Palmer Park open - end of September 2022
- New Pool at Rivermead open - end of January 2023

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 Reading's future leisure provision will contribute towards the achievement of the following Council Priorities:

- Securing the economic success of Reading
- Promoting health, education, culture and wellbeing

5.2 The Council has also agreed its strategic priorities for the recovery phase of the pandemic. The overall vision is to ensure Reading can be a thriving, virus-resilient community:

- To ensure the Council itself is resilient and fit for the future.
- To help people be safe and communities thrive
- To secure the economic future of Reading

5.3 Reading's leisure services are to be developed in line with the following Council strategies and priorities:

- RBC Corporate Plan 2018-2021
- Reading Local Plan November 2019
- Get Berkshire Active 2017-2021 'Towards and Active Berkshire'
- Reading Health & Wellbeing Strategy 2017-202 Vision 'A healthier Reading'
- Berkshire West Healthy Weight Strategy 2018-2020
- RBC: Indoor sport and leisure facilities strategy 2015
- Reading JSNA

5.4 The Council will work with its new leisure partner in the delivery of key national and local strategic policies. It will also demonstrate that investment and action is making a positive difference to people's lives and show the impact the delivery of the leisure service is having on local individuals and communities and public health outcomes.

5.5 Whilst the town's culture and leisure opportunities are accessed by the vast majority of residents there are significant cohorts who face barriers to access. This can lead to increased levels of obesity and poorer health and well-being for both adults and children in respect of physical activity; and poorer quality of life, mental health, social isolation and well-being. Addressing these barriers and widening participation is a key outcome requirement.

6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1 Consultation with key stakeholders has been carried out in 2019 involving an on-line survey, face to face interviews and focus groups as part of the work to develop an indoor sports facilities strategy. This consultation also included a range of sports clubs and operators and involved the Amateur Swimming Association (ASA) and

Sport England to ensure that lead governing bodies for a variety of sports have been able to directly influence the strategy and are confident that it reflects their interests and input.

- 6.2 Proposed new facilities at Rivermead and Palmer Park will require planning permission and be subject to statutory public consultation at the appropriate time.

7. LEGAL IMPLICATIONS

- 7.1 The Council has power under the Local Government (Miscellaneous Provisions) Act 1976 to provide such recreational facilities as it thinks fit including the provision of buildings, equipment, supplies and assistance of any kind. The Council may make such facilities available either without charge or on payment of such charges as it thinks fit.

- 7.2 The procurement process for the DBOM contract has been conducted in compliance with the Council's Contract Procedure Rules and in accordance with the Public Contract Regulations 2015 using the Competitive Dialogue Process. The criteria for use of the Competitive Dialogue Process were met by virtue of the Council not being able to fully define the best solution to meet its needs including not being able to objectively specify the legal and financial make-up of the contract.

- 7.3 The Council's contract is based upon the Sport England Design Build Operate and Maintain (DBOM) template, with some more significant changes to reflect that:

- there is a mixture of new build and existing facilities, that will have different maintenance and hand-back requirements
- a process for planning permission to be secured by the successful Tenderer (Contractor) has been included in the project with scenarios where permission is not secured or secured late
- a process is included to allow for provisional sums that cannot yet be established to finalise the cost for the new build works
- there will be post completion works in addition to the main leisure centre works
- the Authority's risk on significant capital expenditure arising during the course of the contract is limited

- 7.4 The question of whether the Council wishes to undertake the PCA is based upon an assessment of the risk of this project not completing as originally envisaged. If members have a high degree of satisfaction that the contractor will enter the DBOM proposal in the context of the pandemic, in accordance with the original timescales then there is no need for a PCA. However, the timeline has already slipped and there are concerns about the viability of the market to deliver and sustain new proposals such as this. Whilst the PCA is not without cost, it allows the Council a degree of certainty to take over the plans and progress them in a different way if the original plan can not be delivered. The costs can also be recovered if the plans do ultimately come to fruition.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 In addition to the Human Rights Act 1998 the Council is required to comply with the Equalities Act 2010. Section 149 of the Equalities Act 2010 requires the Council to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 An Equality Impact Assessment is not applicable to this decision.

9. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

9.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers). The current leisure facilities are ageing and do not have the benefit of being built to modern standards including current energy efficiency standards. GLL has committed to developing the designs for Rivermead and Palmer Park to BREEAM Excellent standards, to use renewables where possible to achieve building control compliance and to help reduce carbon emissions and improve environmental efficiency.

10. FINANCIAL IMPLICATIONS

10.1 The Council incurred £330k costs in 19/20 taking forward the Leisure procurement to contract stage. These costs and the costs accrued within the PCA would be capital costs as these works are directly associated with the delivery of the new and refurbished leisure centres. Should the developments not take place these costs would revert to revenue.

10.2 The Council will be investing capital resources into re-provisioning or refurbishing the four leisure centres as well as periodically undertaking capital improvement and equipment replacement works. The table below sets out the capital expenditure requirements for the first three years (the main period in which centres are replaced or significantly refurbished) as well as future capital investments requirements over the remaining twenty-two years of the contract period:

	Years 1-3 (£,000's)	Future Years (£,000's)	Total (£,000's)
Rivermead	22,579	2,063	24,642
Palmer Park	10,249	1,880	12,129
Meadway	1,242	1,529	2,771
South Reading	859	1,874	2,733
	34,929	7,346	42,275

10.3 The proposals set out in this report would have implications on the Council's medium term financial strategy which includes the capital programme by reprofiling the spend assumptions within each year of the programme and potentially increasing the overall costs by circa £300k to account for the costs of inflation. A reprofiled programme will be presented within a future financial update on the Council's MTFs.

- 10.4 Should option 3 of the proposals set out in this report be endorsed then the PCA cost of £816k would be off-set by a reciprocal reduction in the capital cost of the DBOM contract.
- 10.6. The options appraisal in the report considers not signing the PCA and waiting for the main contract to be signed (option 1) but risks potential additional inflation costs on the overall contract of £1,181k due to a delay, £881k more than the recommended option.
- 10.7. It also considers entering into a PCA that completes the design work up to planning submission stage (option 2) at a cost of £463k. This option risks inflation on the contract of £788k, £488k more than the recommended option.
- 10.8. Members need to be aware of the risk that GLL may subsequently decide not to sign the DBOM contract. This would result in abortive fees of approximately £197k up to 1st April 2021 and further costs associated with reviewing different delivery models and the preferred model's implementation.

11. BACKGROUND PAPERS

None