

Item No. 11.	Classification: Open	Date: 23 November 2010	Meeting Name: Cabinet
Report title:		Elephant and Castle – Provision of a New Leisure facility	
Ward(s) or groups affected:		Cathedrals, Chaucer, East Walworth and Newington	
Cabinet Member:		<ul style="list-style-type: none"> • Councillor Veronica Ward, Culture Leisure Sport and the Olympics • Councillor Fiona Colley, Regeneration and Corporate Strategy • Councillor Richard Livingstone, Finance and Resources 	

FOREWORD –

- **COUNCILLOR VERONICA WARD, CABINET MEMBER FOR CULTURE, LEISURE, SPORT AND THE OLYMPICS**
- **COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY**
- **COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE AND RESOURCES**

1. Six months into our administration, we are delighted to be making yet another major step forward for the regeneration of Elephant & Castle by giving the green light for a new swimming pool and leisure centre.
2. The consultation on new leisure facilities at the Elephant & Castle has been a huge success. Over 1,316 responses were received - a 16% response rate compared to an anticipated rate of just 5%! As we expected what people really want is a new swimming pool. The next most popular facilities were a gym, exercise studio and sports hall.
3. Of course, there are limitations on the availability of both funding and space. In large part the new centre will need to be financed by disposing of part of the site for a residential development. The reduced footprint means we must make a choice between the new swimming pool or a double size sports hall. In the light of the consultation results we are recommending that Cabinet progresses with a new 6 lane, 25m swimming pool, a learner pool, a 4 court sports hall, a gym, an exercise studio, a crèche and a cafe.
4. The regeneration of Elephant & Castle is a priority for this administration and we are determined that we will keep up the momentum and deliver the transformation that local residents deserve.

RECOMMENDATIONS

Recommendations for the Cabinet

5. Cabinet note the outcome of the consultation exercise summarised in paragraphs 23 to 30 (and attached at Appendix 1) that has been carried out throughout September and October.
6. Cabinet note the proposed provisional budget for the Elephant and Castle Leisure Centre as detailed in the closed report and the further work which will be undertaken to assess project costs prior to the submission of a bid for capital programme funding.
7. Cabinet agree the Project Mandate for the redevelopment of the leisure centre site (attached in Appendix 2) and in particular the following key principles:
 - That the new leisure facility include the following core provision: a 6 lane 25m swimming pool, a learner pool, a 4 court sports hall, a gym, an exercise studio, a crèche and a cafe.
8. Cabinet instructs officers to report back the terms on which the adjoining residential plot will be sold at an appropriate time.
9. Cabinet instructs officers to report back, through the second Gateway process, at the appropriate time once all design and technical has been completed to recommend the award of the construction contract.

Recommendations for the Leader of the Council

10. The Leader delegates to the Cabinet Member for Regeneration and Corporate Strategy approval of the planning application prior to submission.
11. The Leader delegates to the Cabinet Member for Finance and Resources the appointment of the Local Education Partnership (LEP) to construct and deliver the Elephant and Castle Leisure Centre, through the first Gateway process, subject to existing protocols for LEP engagement and demonstrating value for money.

BACKGROUND INFORMATION

12. At the meeting on the 7 July the Council's Cabinet agreed a report concerning the provision of a new leisure facility at the Elephant and Castle and agreed the following:
13. The current leisure centre site as the preferred location for new leisure facilities at Elephant and Castle and supported the broad configuration of land uses i.e. residential at the east of the site and leisure at the west.
14. That the receipt generated from the sale of the residential component at the front of the site is intended to be reinvested to deliver the leisure facility at the rear.
15. Officers to agree a consultation plan with the Cabinet Member for Regeneration and Corporate Strategy for a short consultation process to establish what leisure facilities local people want to see.

16. For officers to report back by November with the results of the consultation exercise and proposals for a full project mandate for a new leisure facility at the Elephant and Castle. The report will also address potential funding streams, partners, interim arrangements for leisure provision, revenue/capital cost implications and explore delivery options.
17. In early August the Cabinet Member for Regeneration and Corporate Strategy agreed a consultation plan. The consultation took the following form:
18. A questionnaire was sent to all address points within the Elephant and Castle opportunity area and residents were asked to rank in order of importance the facilities [swimming pool, gym, exercise/studios, sports hall, cafe and crèche] for a new leisure centre. Residents were also invited to add any other facility that was important to them. The same questionnaire was also sent to all members of the existing leisure centre and identified stakeholders. In addition the consultation was promoted in the Southwark News.
19. A public exhibition was held on September 14th at the existing leisure centre site. Two proposals for a new leisure centre were displayed as follows and residents and customers were asked to comment on the two options;
20. Option A - A new facility including a 6 lane swimming pool, learner pool, exercise/ studios, gym, crèche and cafe space.
21. Option B - A new facility which included all of the above but with the addition of a four court sports hall.

KEY ISSUES FOR CONSIDERATION

22. The decision by Cabinet in July of this year established that the Elephant and Castle leisure centre site would be the location for a new leisure facility which is a long standing council priority. In addition, the decision agreed a disposition of uses for the site which takes the form of a leisure facility at the rear and a residential element on the part of the site fronting on to Elephant and Castle itself. In order to take forward the proposal and define a project mandate, Cabinet instructed officers to report back on a number of key issues and these matters are addressed in the following sections of the report.

Resident, Customer and Stakeholder Consultation

23. A full report on the outcome of the consultation undertaken with local residents, customers and stakeholders is attached in Appendix 1. Summary of the key findings arising from the consultation are as follows:
24. For the 8,190 letters and reply cards distributed 1,316 replies were received, 16% in total which is much higher than the 5% originally hoped for, reflecting the importance of this issue amongst local residents.

25. Overall respondents voted for a new swimming pool as the most desired option within the new facility with a crèche receiving the lowest numbers of votes.
26. Existing customers of the leisure centre voted for the swimming pool, gym and sports hall as their top three priorities.
27. Non-users of the leisure centre voted for the swimming pool, gym and exercise/studios as their top three properties.
28. In order of most requested (from all responses received) the most desired options were a new swimming pool followed by gym, exercise/ studios, sports hall, cafe and finally crèche.
29. When asked what 'other' leisure uses they may like to see within the new facility over 50 different suggestions were received. The most frequent request was for squash courts by 52 individuals. Compared to the overall number of replies this represents a 4% response rate which is not significant enough to amend the strategic design brief.
30. The consultation summarised above has been very successful and has generated a particularly high response rate when compared with other similar exercises. The conclusions demonstrate strong support for a new leisure facility that includes both a swimming pool and sports hall. These findings suggest that residents, customers and stakeholders would support Option B.
31. Further design testing has been undertaken to evaluate whether other options such as an 8 court sports hall could be provided within the development. This review has concluded that the spatial requirements of such a facility would have the affect of reducing the residential plot to a non viable size. The importance of retaining a viable residential plot for the funding of the project is highlighted below and therefore it is recommended that the option B facility is taken forward.

Capital Costs and Programme Delivery

32. In the July report to Cabinet officers estimated the capital costs of developing a new leisure facility would be in the region of £20m. In order to test this assumption Southwark's Local Education Partner's '4 Futures' were commissioned to provide an initial cost assessment associated with design, demolition and construction based on the initial designs provided by S&P architects. The conclusions from this initial cost assessment suggest that the preferred Option B could be delivered within this budget envelope subject to full detailed design and technical surveys.
33. Franklin and Andrews [F&A] have been commissioned to examine the Initial Cost Assessment provided by 4 Futures. Further testing will be undertaken up until the end of the financial year 2010 / 11 to ensure an appropriate budget for the project.
34. The budget will be kept under review through the Project Board arrangement described in the Project Mandate.

35. A fixed contract sum will only be known post planning. Officers will therefore report back to Cabinet at the appropriate time once all design and technical work has been completed and final specification agreed with a fixed price for the contract in order to seek authority to proceed to commence construction.

Revenue Funding

36. The project is at a very early stage so it has not been possible to model the business plans for the two different facilities, on which the Council is consulting with any accuracy. Preliminary calculations based on what is currently known, however, suggest that either of the new facilities proposed would have a far greater customer base and greater revenue potential than the current centre. More detailed work will be undertaken on forecasted running costs as the design is progressed and will be reported through the project management arrangements.

Delivery Options

37. There are a number of routes by which the Leisure Facility could be delivered. Options include a full EU tendering exercise as the scheme is in excess of the OJEU requirements. Alternatively the council could consider utilising the Local Education Partnership (LEP), which is a Public Private Partnership, established to deliver the Building Schools for the Future (BSF) programme. This partnership has since been branded 4 Futures.
38. The 4 Futures partnership includes design, construction and project management expertise alongside facilities management and ICT.
39. The Strategic Partnering Agreement allows non-BSF works and services to be procured through this partnership without the need for a further OJEU compliant procurement.
40. It is considered at this time that the LEP has the potential to offer an advantageous procurement solution for the design and construction of the leisure centre. The use of the LEP will have programme advantages as a result of not requiring a further OJEU compliant procurement process for design and construction services. It also has advantages of risk transfer and added cost certainty at the point of appointment. This procurement route will be further explored.
41. While there are advantages in using the LEP to deliver the project it is still crucial that their proposals demonstrate value for money as any appointment would preclude a further competitive tender being undertaken. As with the BSF programme independent cost, technical and commercial advice will be sought and retained through the life of the project to ensure that the proposals and the associated costs meet the brief, provide appropriate transfer of risk and offer value for money.
42. The report recommends that the decision to appoint the LEP for the design and delivery of the project to be delegated to the Cabinet Member for Resources subject to demonstrating value for money through the Authority's Gateway process. Cabinet are asked to note that should the

LEP be unable to offer an acceptable value for money proposal then an alternative procurement route will be required and this could extend the timetable for the delivery of the new leisure facility.

Interim Leisure Arrangements during Demolition and Construction

43. Elephant and Castle leisure centre is presently managed by the Council's contractor, Fusion, under a core seven-year agreement to manage a number of leisure centres in the Borough. The contract, which commenced in November 2009 includes provision for variations if the Council requires a centre to be closed for the purposes of redevelopment. The exact form of the variation will be subject to further negotiation depending on when the Council requires vacant possession of the current building. When the project proceeds to a point at which the date of demolition of the current centre is known, officers of the Council will work with Fusion to ensure that the old centre is decommissioned with minimum disruption to customers and minimum cost to the Council.
44. Officers will also work to relocate as many displaced customers as possible to other facilities within the Borough. Customers who have memberships with Fusion will be able to use them at any other Council run centre which they find convenient. Officers will also endeavour to find alternative venues for organisations (schools, clubs etc) on a case-by-case basis. Some may be able to locate part of their programme to Geraldine Mary Harmsworth Sports Centre and we will work with other providers in the area to see what else is available. A great deal of the rationale behind provision of a new centre is that there are few alternative venues in the area so it will, unfortunately, not be possible to accommodate everyone whilst the new centre is being built.
45. As the leisure centre has not operated at full capacity Fusion have allowed alternative uses of the sports hall to generate income. In particular Comunidad Cristiana de Londres (CCL), a Latin-American Church, are using it on Sunday for services. The council will seek to assist the group to move to suitable alternative premises. This type of activity will not be appropriate in the new facility as clearly the priority will be leisure use by Southwark residents.

Alternative Funding Streams and Delivery Partners

46. Discussions have taken place with the two tertiary education providers, London College of Communication and London South Bank University, regarding partnership working. Officers have concluded that there are no alternative funding sources that can be programmed with certainty to deliver within the required timetable. However, the LEP will endeavour to seek section 106 contributions from the Elephant and Castle Opportunity Area for the leisure facility where possible.
47. Funding of the scheme must, therefore, come from the council's capital programme which largely relies on receipts from land sales. As a consequence, it is considered of great importance that a viable residential plot is retained within the overall site which will be crucial in generating a capital receipt to contribute towards the costs of the leisure facility. The

strategy for this is discussed in more detail below and in the Closed Report.

Potential Disposal Proceeds

48. From a development perspective the residential plot is very attractive for prospective purchasers because of its excellent transport links. The completion of the landmark Strata building and its success in property sale terms will give prospective developers confidence for the development of this site. In addition, the recent landmark agreement to enter a Regeneration Agreement with Lend Lease for the regeneration of the Heygate estate and shopping centre is also a significant indicating factor of the strength of investment and future potential for growth in the area.
49. Although the market is generally dormant at present in the light of the current economic uncertainty, a buoyant micro-market exists at this location. The opportunity to purchase and develop the subject site is likely to stimulate a lot of developer interest and give rise to a substantial capital receipt.
50. Development of the identified residential plot will however have to address some planning challenges most notably its close proximity to a very busy highway intersection and a listed building (the Metropolitan Tabernacle). In addition the site is situated in the back drop zone to the Serpentine Bridge strategic viewing corridor. This will have implications for the height of the building on the site.
51. It is intended that a hybrid planning application be made that will have two components; an outline element for the residential component and a detailed application for the leisure component. The provision of a new leisure facility at the Elephant and Castle is a long standing planning objective in both the Southwark Plan and Core Strategy. The planning strategy for the development will therefore be to demonstrate that the residential element is an “enabling development” in that it is generating capital to allow a leisure centre to be constructed and that therefore the requirement to provide social housing is not viable in this instance due to the planning benefit gained from this approach.
52. The Head of Property has carried out an initial valuation of the residential plot and this together with the disposal strategy are set out in the Closed Report.

Project Mandate for Redevelopment of Leisure Centre Site

53. Information drawn from the above work streams has been used to establish a project mandate for the redevelopment of the leisure centre site and the full version of this which Cabinet are asked to endorse is attached as appendix two. The mandate addresses both the leisure and residential elements of the site and establishes a framework for the future management of the project. The mandate sets out the parameters for the following;
 - Strategic Leisure Brief

- Leisure Facility Budget and Cash Flow
- Programme
- Governance and Project Management
- Planning strategy

Policy implications

Southwark Council Corporate Plan 2009 – 2011

54. The proposal for the leisure centre meets the Corporate Plan's aims to promote healthy and independent living throughout Southwark. The plan identifies regeneration projects as a way to 'build strong communities that promote connected, healthy and active lives'. The plan also states that at the Elephant & Castle there will be refurbished or new leisure facilities.

Sport and Leisure Perspective

55. The plan to provide a new leisure facility, particularly at the Elephant & Castle site accords well with the seven themes from Southwark's Sport and Physical Activity Strategy, which was agreed in 2009. The themes are quite self-explanatory and are listed below:

- Using physical activity for both the prevention and management of ill health.
- Maximizing the use of planning policy in providing for sport and physical activity.
- Providing a network of appropriate places and spaces for sport and physical activity.
- Improving access and choice for the whole population.
- Building and maintaining an effective multi-agency delivery system for sport and physical activity.
- Maximizing the use of London 2012 to promote physical activity.
- Maximizing the impact of all resources.

Core Strategy/Southwark Plan

56. Through the core strategy adoption process the Elephant and Castle leisure centre site will form part of the Elephant and Castle Core Area [currently referred to as site 39P in the Southwark plan]. The Southwark plan identifies a specific need for a leisure centre within this site and this requirement will be retained as part of the Core Strategy. Residential development is generally an acceptable use throughout the core site. A mixed development comprising a new leisure centre and residential would therefore be acceptable in principle on the leisure centre site which is recommended as the preferred location for the facility.

Community impact statement

57. The current leisure offer at the Elephant and Castle is restricted to a sports hall and gym. The swimming pool has been closed for over twelve years and this reduces the existing community's access to leisure facilities which is one of the council's themes in its Sport and Physical Activity Strategy referred to in the policy section of the report. Potentially, this impacts on the health and well being of individuals within the community and the need to improve leisure facilities has, therefore, been recognised in various council strategies which are referred to in this report.

58. The development of a new facility including a swimming pool has the potential for significant community benefits including; increasing leisure choice and activity leading to improved health outcomes including addressing the key challenges presented by obesity.

Resource implications

59. These matters are addressed in the closed report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities Law & Governance

60. Section 2 of the Local Government Act 2000 gives a local authority wide powers to do “anything which they consider is likely to achieve any one or more of the following objects:
 - a) the promotion or improvement of the economic well-being of their area,
 - b) the promotion or improvement of the social well-being of their area, and
 - c) the promotion or improvement of the environmental well-being of their area.”

The provision of a new leisure centre is likely to qualify on most if not all of those objects.

61. It should be noted that the existing leisure centre is currently let to Fusion on a lease expiring on 29 October 2016. There are no provisions in the lease enabling it to be terminated early (except where the Management Agreement with Fusion is terminated, in which case the lease will terminate automatically) so if the current lease needs to be brought to an end prior to its expiry date this will need to be by agreement with Fusion.
62. The report notes that the disposal of part of the current site for residential use will be the subject of a further report to Cabinet at the appropriate time. Further legal advice relating to the disposal will be given at that time.
63. The Leader is asked to delegate the gateway 1 (procurement strategy) decision to appoint the LEP to construct and deliver the leisure centre, subject to the existing LEP protocols being operated, and value for money demonstrated. Section 14 of the Local Government Act 2000 (as amended) permits the Leader to delegate this function to a member of the Cabinet. As noted in paragraphs 37 and 39, the council can consider use of the LEP to procure these works, as the procurement of the LEP and the agreement entered into with it, envisaged that works and services outside of the BSF programme could be delivered. The OJEU notice for the LEP procurement specifically referred to other facilities that might be provided by the council in the exercise of its Section 2 powers, including the provision of leisure facilities. Further legal advice relating to the procurement and award of this contract will be given during the procurement process.

Finance Director

64. The financial implications are contained within the body of the closed report along with full Finance Director comments. The capital costs identified will be the subject of a capital bid as part of the Capital refresh programme to be considered by Cabinet in 2011. The Finance Director acknowledges that the strategy of a hybrid planning application will gain an enhanced capital receipt for the Corporate Resource pool.

Strategic Director of Environment & Housing

65. Paragraph 36 sets out the issues associated with modelling a business plan for the two centres under consideration at this early stage.
66. Paragraphs 43 deals with how the decommissioning of the current centre will be managed and Paragraph 44 suggests how customers displaced by closure of the current centre might be accommodated whilst the new centre is being built.

Head of Planning

67. Officers have been in early discussions and have identified a number of constraints that would inform future development of the site. The case for a residential development on the site without affordable housing would have to be justified as there is a policy requirement for 35%. A constraint on residential use on the site frontage exists in relation to air quality and noise. An outline proposal adjacent to the listed Tabernacle building will require a detailed heritage statement.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Plan, Southwark's Sport and Physical Activity Strategy 2009, Core Strategy, Corporate Plan 2009-11	Jon Abbott, Director of Elephant & Castle project team	020 7525 4902

APPENDICES

No.	Title
1	Elephant and Castle Leisure Centre Public Consultation Report
2	Elephant and Castle Leisure Centre 4Futures Project Mandate

AUDIT TRAIL

Cabinet Member	<ul style="list-style-type: none"> • Councillor Veronica Ward, Culture Leisure Sport and the Olympics • Councillor Fiona Colley, Regeneration and Corporate Strategy • Councillor Richard Livingstone, Finance and Resources 	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Jon Abbott, Elephant & Castle Project Director Steve Platts, Head of Property	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES		
Officer Title	Comments Sought	Comments included
Strategic Director – Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Director of Environment and Housing	Yes	Yes
Cabinet Members	Yes	Yes
Date final report sent to Constitutional Team	12 November 2010	