

Large Business Case Report



London Borough of Enfield

Title:	Recovery of Southbury Leisure Centre Business Case	
Date of Report:	May 2024	
Project Service Area:	Environment & Communities Department – Sport & Leisure Service	
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Five Model Business Case

Stage	Feasibility	Investment decision	
	Strategic Outline Case Requirements	Outline Business Case Requirements	Full Business Case
Requirement	Feasibility DP1 High level Financial Appraisal	Investment DP2 Financial Appraisal	
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Strategic Outline Case

Ensure consultation is undertaken throughout along with key stakeholders and end users. [Example workshop - Making the case for change.](#)

1. Strategic Context

A manifesto commitment was made by the Administration at the 2022 London Borough of Enfield Election to “take back and invest in the Fusion managed leisure centres”. The first element of this commitment was achieved in December 2023 when the Fusion contract was terminated through a settlement agreement. The second part of the commitment relates to significant investment that is required at the leisure centres to bring each centre back to a good standard. Without investment residents will use alternative provision and the Service will be unable to generate a commercial return for the Council.

Greenwich Leisure Ltd (trading as Better) has been appointed by the Council to manage the Council’s four leisure centres, Arnos Swimming Pool, and Bramley Bowls Centre via a five-year contract. As part of the leisure operator’s mobilisation, condition assessments have been undertaken of each of the facilities and a recovery plan developed. Southbury Leisure Centre, which this Capital Funding Bid applies, has been identified as needing significant investment to address several fundamental maintenance issues affecting the building, the pool plant, and refurbishment of essential areas of the leisure centre.

Recovery plans have also been developed for the other centres, but the scale and urgency of the works required at the other centres are not as great and will be funded through other routes.

2. Business Strategy and Aims

In addition to meeting a manifesto commitment outlined above, the proposed capital expenditure will support the Strong, Healthy and Safe Communities strand of the Council Plan by improving our leisure and sport opportunities to enable more active lifestyles.

At Service level, a new Active Wellbeing Strategy is currently in development that will guide delivery of the service until 2029. A key strand of the strategy, and therefore the growth of sport and active lifestyles in borough, is improvements to Enfield facilities. This business case would deliver the improvements required at the borough’s largest and busiest leisure centre.

3. The Case for Change (Spending Objectives)

The scope of this business case, as defined below, are core service functions of Southbury Leisure Centre that will ensure the centre is fully operational and has the key services in full working order. By delivering the following scope, the centre will meet the needs of service users, and facilitate income growth to make the centre financially sustainable. The scope is:

- To replace Southbury Leisure Centre's roof to ensure the centre is watertight and no longer allow water ingress into the facility, which is currently causing damage,
- To install a new air handling system that regulates the building temperature at a comfortable and legally compliant level and manages humidity,
- To repair the swimming pool plant to ensure Southbury swimming pool can remain open and available,
- To fund the refurbishment of the Southbury Leisure Centre gym and its equipment,
- To refurbish Southbury Leisure Centre's changing village, which is tired and difficult to clean effectively, and currently provides a poor customer experience.

4. Existing Arrangements

Southbury Leisure Centre, along with the other five centres in the Council's portfolio (Albany, Edmonton & Southgate leisure centres, Arnos Pool, and Bramley Bowls Centre), are managed by Greenwich Leisure Ltd. (trading as Better) on a five-year contract. The contract with GLL is based on an open book arrangement, underwritten by the Council, with a profit share arrangement in place. GLL took over the contract from the previous leisure operator (Fusion Lifestyle Ltd.) on 4th December 2023, following a settlement with Fusion to end our contract early.

The centres are broadly open from 6:30am through to 10pm and across the six facilities, offer a range of different sports facilities and group exercise classes.

GLL manage the centres under a repair and maintenance arrangement, which will address some of the lower-level maintenance issues currently affecting the centres. However, the scale and urgency of the maintenance issues at Southbury requires a greater level of investment immediately.

It has been necessary for GLL to undertake various reactive maintenance tasks with the cost being attributed to the open book. This is causing a revenue pressure on the Council given our agreement to underwrite any losses within the open book. The proposed investment would significantly reduce reactive maintenance and increase revenue.

5. Business Needs – Current and Future

During the last 12 months of the Fusion Lifestyle contract, there were a range of service interruptions that were caused through a lack of routine maintenance undertaken by the former leisure operator.

The outcome was a series of pool closures across the facilities, building temperatures that breached statutory working conditions for centre staff, the development of black mould within the pool hall of one centre, unavailability of gym equipment across each of the centres, and the slow repair of mechanical and electrical equipment when a fault developed.

Specifically at Southbury Leisure Centre, the need for investment has become critical for what is the Council's busiest and 2nd highest income generating centre. Due to a leaking roof which regularly leads to flooding within the leisure centre, it is common to see collapsed ceilings or buckets catching water following rainfall. An assessment of the roof by GLL's roofing contractor has identified over 70 leaks within the roof, which if left unaddressed will lead to long-term damage to the building structure. The air temperature of the building is not currently acceptable; extremely hot and unpleasant to exercise in during the summer, and cold enough on some winter days that the temperature within the leisure centre falls below statutory temperatures for safe work. The air temperature and humidity are regulated through the air handling unit which needs complete replacement.

Much of the gym equipment within the facility is over 10 years of age. Under normal circumstances in a well-managed facility, the equipment would have reached the end of its life, but at Southbury, where little maintenance has been undertaken, it is common to see up to 20% of the gym equipment out of order. In addition to the poor-quality gym equipment, the gym suffers from numerous leaks from the roof above, meaning the ceiling and floor have suffered water damage and need replacement. The gym is the most profitable part of any leisure centre, but the condition of Southbury's gym equipment means that gym membership levels are low with many members lost to competing facilities.

Finally, the changing village is old, tired, difficult to clean, and does not provide the right level of service expected by our residents and centre users. Having been installed when the centre opened in 2001, the changing village is in dire need of refurbishment. Graffiti removal, bleaching by chemicals and the soiling of floor tiles make the changing village look dirty and unappealing to our residents and service users. Feedback in the development of our Strategy "Our Active Wellbeing", identified the cleanliness of the facility as a significant barrier to residents using it. A newly refurbished changing village would encourage more people to use the facility, increasing revenue and getting more people active.

6. Potential Scope and Service Requirements

The scope of the project is clear and outlined above in section 3.

7. Main Benefits

Investment in Southbury Leisure Centre will deliver a financially sustainable leisure centre where usage will grow, and surplus revenue can be utilised by the Council. Income estimates suggest that with the requested investment, income growth could be as much as £16m greater over a 10-year period than without the investment.

Replacement of the roof, air handling systems and swimming pool plant will reduce contractor repairs that will result in cost savings to the partnership with GLL and increase the profitability of the centre.

In addition to the direct benefits to the Authority, the beneficiaries of the project will be residents of the borough and Southbury centre users. A higher quality facility will mean that people are more likely to use the facilities, increasing levels of activity and facilitating a healthier population.

Staff working in the facility will also benefit from the works as their place of work will be compliant with statutory safe working temperatures.

8. Main Risks

There is a risk that the proposed investment in Southbury Leisure Centre will not deliver the projected income growth. This risk is mitigated by modelling the income growth experienced in the London Borough of Lewisham when GLL took over Lewisham's leisure portfolio of centres from Fusion in late 2020. With similar investment needs, a larger population in Enfield (by approximately 35,000), and a longer period of leisure recovery since the pandemic, it is believed that the revenue growth projections are very achievable.

A further risk to the project, is that the cost of works or the scope of the project will increase between when the quotes were received ahead of the development of this bid, and the delivery of the works. This risk is mitigated by the addition of 20% contingency to all contractor quotes received, the stabilisation of inflation within the last few months, and comprehensive assessments have been undertaken of each element to ensure the scope does not creep in delivery of the project.

9. Constraints

There are no statutory, legal, service or stakeholder constraints to the proposed programme of works set out within this business case.

10. Dependencies

Installation of a new air handling unit is dependent on the replacement roof, as the existing system will need to be removed ahead of the new roof being laid, and the new air handling system cannot be installed until the new roof has been completed. There are no other delivery dependencies as each element will be delivered by a different contractor from GLL's framework.

The delivery of the complete investment proposal is dependent on sign-off from the Capital Board and all other Governance required.

Economic Case:

11. Critical Success Factors (CSFs)

- A watertight roof that ensures no further water ingress into the facility,
- Installation of a new air handling system that regulates the building temperature and can ensure legally compliant temperatures,
- Repair of the swimming pool plant, ensuring Southbury swimming pool can remain open and available,
- Refurbishment of the Southbury Leisure Centre gym and its equipment,
- Refurbishment of Southbury Leisure Centre's changing village, which is tired and difficult to clean effectively

12. Long Listed Options

There are four options under consideration, with options 2 & 3 being further sub-divided to reflect different rates of income growth. The four options are:

OPTION 1	DO NOTHING - BUSINESS AS USUAL (BAU)
Description	Undertake no works and continue with the facility in its current conditions.
Net Costs	<p>This option would incur no net capital costs, but additional revenue costs associated with:</p> <ul style="list-style-type: none">• managing water ingress into the facility from the significant number of leaks,• temporary heaters / air conditions to maintain compliant building temperatures,• increased repair costs for gym equipment. <p>Loss of income when the swimming pool plant fails, and the pool cannot open. Or loss of income because centre users choose to use other, better maintained facilities.</p>
Advantages*	No capital spend.
Disadvantages*	<ul style="list-style-type: none">• Poor standard of service, reduced revenue through the continued loss of members leaving the centre for competing facilities,• Potential for non-compliant building temperatures during periods of extreme cold or hot weather,• Potential greater expenditure caused through continued water ingress into the facility,• Lower health benefits for Enfield's residents as fewer people use the facility,• Potential closure of the facility when the roof fails.
Conclusion	This option does not meet the critical success factors for this project as it does not address the current building maintenance liabilities or provide a good standard of service for our residents & centre users. It could also result in the facility becoming financially unsustainable due to continued loss of membership and increased facility costs. In a worst case scenario, the financial viability of the centre could result in closure.

OPTION 2	DO MINIMUM:
Description	Replace roof, replace air handling unit, and repair the swimming pool plant, but do not fund the gym or changing village refurbishments.
Net Costs	Circa £1.4m capital expenditure. (Roof £997k, air handling unit and pool plant £382k)
Advantages*	<ul style="list-style-type: none"> • A watertight building, • A functioning air handling system that can ensure compliant building temperatures for centre users and staff, • Repair to essential swimming pool plant that will ensure the pool can remain open.
Disadvantages*	<p>The gym and pool are the highest income generating services within a leisure centre, and without the full investment to deliver a newly refurbished gym and changing village, the facility may not reach its full income potential. Were this to happen, then the Council would not receive as much revenue through its profit share arrangement.</p> <p>The gym and changing village would still need to be refurbished at some point soon, which would result in a future capital bid or revenue pressures within the open book arrangement the Council has with the operator. It would be better to undertake the projects together to reduce disruption, increased future costs associated with mobilisation of works, and to realise the income benefits earlier.</p> <p>Whilst this option would require less capital borrowing, it does not provide the same revenue benefits for the Council.</p>
Conclusion	Minimum capital investment would deliver significant benefit for the leisure centre through a replacement roof and air handling system. It would also ensure that the pool plant only requires routine servicing and maintenance. However, these are elements that the customer expects as a bare minimum of any leisure centre. Without the full investment required to the customer facing services, this option will not deliver the wider commercial benefits that the full application will deliver.
OPTION 3	
Description	Full scope as set out above: Replacement roof, replacement air handling system, pool plant repair, refurbished gym and refurbished changing village.
Net Costs	Circa £2.4m. (Roof £997k, air handling unit and pool plant £382k, gym refurbishment £474k, and changing village £550k)
Advantages*	<p>If the full capital investment of £2.4m was awarded, then the service would be able to address the main maintenance liabilities affecting the facility, reduce maintenance costs and revenue spend, plus refurbish the gym and changing village to gain the full commercial potential of the facility.</p> <p>All works would be completed at once reducing the works delivery costs and improving the facilities for residents most quickly.</p> <p>This option would ensure that the capital investment would be paid back fastest and</p>

	achieve the greatest revenue return.
Disadvantages*	The option would require the greatest capital investment of the three options.
OPTION 4	
Description	Don't undertake the proposed investment works, close Southbury Leisure Centre and dispose of the asset for development.
Net Costs	£837k of one-off costs (e.g. staff redundancy etc.) Loss of rates paid by the leisure operator. £4.5m - £5m – capital receipt.
Advantages*	There would be no need to incur capital borrowing or use Section 106 receipts if this option was pursued. Property Colleagues have valued the site at £4.5m - £5m should the Council wish to dispose of the site and sell it for development. However, it should be noted that the option of disposing the asset for development remains valid in the future whichever option is chosen.
Disadvantages*	This option would represent the worst option reputationally for the Council given the negative publicity that this option would incur should the asset be disposed. This option would also have a significant impact on resident's health given the range of services provided at Southbury and the lack of alternative provision within the vicinity e.g. soft play, hockey, the leisure centre's sports hall, the teaching pool etc. Whilst this option would offer the Council an immediate opportunity to receive a capital receipt for disposal of the asset (which would remain in the future for all the other options), this option would not allow the Council to benefit from the project income growth that the Council would receive should the preferred option be chosen. If the Council took the decision to close the leisure centre, then there could also be contract implications which would need to be assessed.
Conclusion	This option offers the Council the least return, both financially and for the benefit of resident's health. Consequently, this option should be discounted.

13. Preferred Way Forward

It is recommended that Option 3 is pursued, and the full capital grant awarded. This is because:

- Option 3 offers the Council the greatest scope to grow income at the facility and deliver surplus revenue back to the Authority. Option 3 would also pay the initial capital loan back most quickly and deliver the greatest revenue return for the Council.
- Option 3 delivers a revenue return for the Council as early as 2026/27 (projected to be £166k), whilst the other options deliver a return later.
- Option 3 offers the Council the greatest opportunity to grow participation and deliver the greatest health outcomes for the residents of Enfield.

- A new roof is urgently required. Currently, the building is not watertight, and a replacement roof would address the 70+ leaks that are present in the existing roof. Once fitted, the roof would prevent further water ingress into public areas across the first floor of the leisure centre.
- A replacement air handling system would ensure that the building's temperature can be maintained at a compliant temperature all year. Currently, without a functioning air handling system, temperatures drop below a compliant temperature during winter and can get excessively hot during summer. The air handling unit also manages humidity within the leisure centre, which if too high, can result in building damage through corrosion and rusting of roof structures.
- Southbury supports the borough's swimming club and the majority of the learn to swim courses that run within Enfield. Should the swimming pool plant not be repaired, then there is a risk that both the borough's swimming club and the majority of the learn to swim courses would be impacted. With repair, it is highly likely that the pool plant will experience breakdowns and unavailability of the pool in the future.
- A refurbished gym will result in fewer machine breakdown, which currently causes numerous customer complaints and a loss of members to other competing facilities. As the highest revenue generating section of a leisure centre, the refurbished gym underpins the business case for the investment. The gym would still need refurbishment if option 3 is not pursued, so an alternative source of funding would be required to fund it.
- As outlined above, the cleanliness of Southbury Leisure Centre was recently identified in consultation as a barrier to participation. Nowhere was the cleanliness highlighted more than in the swimming pool changing rooms. The current changing rooms are more than 20 years old, and they are really showing their age. The capital funding would allow the changing rooms to be refurbished, to create a welcoming, clean and functional facility that will attract new users.

14. Shortlisted Options*

As above.

1. Benefits Appraisal

A benefits appraisal has considered the three main stakeholder groups that are beneficiaries from the proposed project. They are the Council, the leisure operator and most importantly, our customers.

The appraisal set out in the table below, clearly shows that the great benefit is achieved through the delivery of Option 3, particularly for centre user where the score for the first four indicators is nearly double those for option 2.

Benefit Criteria	Beneficiary	Weight	Do Nothing		Option 2		Option 3	
			Score (0 - 5)	Weight x Score	Score (0 - 5)	Weight x Score	Score (0 - 5)	Weight x Score
Watertight building	User, Council & Leisure Operator	7	0	0	5	35	5	35
Building Temperature Control	User, Council & Leisure Operator	7	0	0	5	35	5	35
Gym and Pool Equipment are Operational	User, Council & Leisure Operator	15	2	30	3	45	5	75
Clean, welcoming and Manageable Facility	User, Council & Leisure Operator	10	1	10	1	10	5	50
Increased Revenue, reduced cost	Council & Leisure Operator	15	0	0	2	30	4	60
Increased Participation	Council & Leisure Operator	10	1	10	3	30	4	40
Statutory Compliance	Council & Leisure Operator	20	0	0	5	100	5	100
Reputation	Council & Leisure Operator	10	0	0	3	30	4	40
Level of Customer Complaints	Council & Leisure Operator	6	0	0	2	12	5	30
TOTAL		100		50		327		465

2. Risk Assessment

Risk Title & Description	Original Assessment			Risk Mitigations	Assessment with Investment		
	L	I	Score		L	I	Score
<p><u>Service Risk</u> The risk that the service is not fit for purpose and customers leave the centre should project not be delivered.</p>	5	5	25	<p>Option 2</p> <ul style="list-style-type: none"> Replace roof, building become watertight, no more leaks into gym and studios. AHU and pool plant replaced, pool remains operational, and building operates at compliant temperature. <p>Option 3</p> <ul style="list-style-type: none"> Gym equipment is available, operational and does not require reactive maintenance. Changing village is clean, welcoming and can be maintained using normal operating principles. 	1	5	5
<p><u>Reputational Risk</u> The risk that there will be an undermining of customer's/media's perception of the organisation's ability to fulfil its business requirements e.g. adverse publicity</p>	4	5	20	<ul style="list-style-type: none"> Investment secured and projects delivered in line with agreed spending decision. Promotional campaign demonstrating investment and delivery of manifesto commitment. Customer satisfaction monitored and feedback actioned. Levels of complaints monitored, and feedback actioned. 	2	5	10
<p><u>Build Risk</u> The risk that the construction of physical assets is not completed on time, to budget and to specification.</p>	3	5	15	<ul style="list-style-type: none"> Project management team created to manage the project and provide progress reports to Project Sponsor. Regular client meeting to manage progress against the agreed milestones. Management of milestones through Capital Monitoring. Release of capital to GLL on competition of agreed milestones to agreed standards. 	1	5	5

<p>Financial Risk Increased expenditure or reduced income making project unviable.</p>	5	5	25	<ul style="list-style-type: none"> • Use of GLL's framework contractors to ensure best value. • 20% contingency to de-risk potential for project to come in over budget. • Robust budget management to ensure each element of the project is delivered within agreed budget. • Use of conservative income estimates from previous authority where similar investment was delivered. 	2	5	10
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Commercial Case

15. An overview of the commercial case in support of the preferred way forward must be provided*

3. Procurement Strategy and Route

The Council's leisure operator would procure the goods and services through their framework, ensuring best value. The leisure operator's national Maintenance Team has already undertaken a quality assurance procedure to ensure that the rates quoted by each of the chosen contractors offers the best value. As the largest national leisure operator GLL has secured preferential rates for many of the services that will be delivered through this project, which would not be available to the Council via an open tender.

The leisure operator would also oversee successful delivery of the works, with their completion signed-off by the Head of Sport & Leisure ahead of payment to the Leisure Operator.

4. Risk Allocation

Project delivery risks associated with the delivery of the project sits predominantly with GLL, although should the project be delayed, then there would be an impact on the Council's potential revenue through the profit share agreement.

Financial risk associated with the project sits more with the Council as the authority will provide the capital and given the Council's 70% share of profit (15% to GLL and 15% to centre investment), stands to lose more if the project does not deliver the expected level of revenue growth. Details of the mitigations are outlined in the risk assessment above.

5. Charging Mechanism

GLL will incur the initial costs of undertaking the works but will then invoice the Council once the works have been completed and signed off by the Client. Time has been built into the project plan to allow GLL to undertake their internal governance procedures to release the initial capital to pay for the works. This approach has been discussed and agreed with GLL.

6. Key contractual arrangements

The project will be delivered through the existing contract that the Council has with the Leisure Operator. An agency agreement is also being developed between the Council and the Leisure Operator to ensure efficient use of VAT exemptions for Council owned leisure operations.

7. Personnel implications

There are no personnel implications as a result of the proposed project.

Financial Case:

1. Summary

- It is recommended that either option 2 or 3 is approved with £0.2m SC106 / SCIL grant funding, to avoid the Revenue impact of doing nothing which leaves the leisure centre in a state of disrepair.
- It must be noted that Option 3 delivers a positive Revenue impact sooner (£166k in 2026/27) than Option 2; this would alleviate the Budget Revenue pressures earlier.
- Both Option 2 and 3 provide a positive NPV and IRR.
- Approval of £0.2m SC106 / SCIL grant funding is expected.
- A summary table is included in Appendix 1 covering the Key Financials and Assumptions.

2. Revenue budget impact

- Impact against approved revenue budget from proposal
- The Do Nothing Option (1) would put LBE at risk of taking on financial losses due to the reduction in revenue from a lack of investment.
- Option 2 and 3 (along with conservative growth estimate sensitivity) are an incremental improvement from doing nothing. As mentioned above, Option 3 delivers a positive Revenue impact sooner than Option 2.
- Option 1 and 2 estimate £300k revenue spend for equipment - split over 2 years, therefore impact the Revenue further due to a lower Partnership Surplus.
- The MRP rate is assumed to be 3.5%:
 - Option 2 is expected to cost £120k in 2025/26
 - Option 3 is expected to cost £209k in 2025/26
 - This will reduce to £192k with £0.2m SC106 / SCIL grant funding

3. Capital budget impact

- The expected spend for Option 3 is to be funded from borrowing and S106 / SCIL grants.
- £1.2m capital budget is included in the pipeline, this would therefore need increasing for Option 3.

4. Borrowing impact

- Impact on borrowing required against approved budget
- The interest rate is assumed to be 4.3%:
 - Option 2 is expected to cost £59k in 2025/26
 - Option 3 is expected to cost £102k in 2025/26
- This will reduce to £94k with £0.2m SC106 / SCIL grant funding

5. Taxation

- The Council has entered into an Agency Agreement with GLL, which means that GLL would undertake the works as an agent of the Council. Due to a recent change in the taxation laws associated with the treatment of VAT for leisure operations, GLL can undertake these works in a more efficient way.

6. Risks

- Capital spend is dependent on Procurement of contract and equipment.
- All spend and work is estimated to be completed by Dec-2024. Subsequent benefits from Option 3 are expected from Jan-2025.
- GLL assumptions have been used to anticipate income growth, the sensitivity analysis captures a more conservative growth assumption.

Management Case:

- 1. An overview of the management case in support of the preferred way forward must be provided***

8. Programme and project management governance arrangements

GLL will project manage the delivery of the project as an agent acting on behalf of the Council, in line with the agency agreement that has been drafted. A project group will be formed ahead of the delivery of the project, with an SRO appointed by the Client to ensure delivery of the project. sign-off and release of capital funds will only be granted by the authority once the project has been delivered to the specification that has been agreed with the Head of Sport & Leisure.

2. Finalise project management arrangements and plans subject to project approval

9. Use of specialist advisers

No support required. The project will be delivered by the Leisure Operator, with project management oversight by the SRO.

10. Change and Contract management arrangements:

Fortnightly project meetings are planned with GLL and the contractors ahead of the start of the project. Change management requests will be discussed at project meetings, and depending on their impact on project scope, will be escalated to the SRO following a formal request for change submitted by GLL. Written approval to be provided by the SRO ahead of the implementation of the change of scope.

11. Risk management arrangements:

Please see risk assessment above.

12. Project Assurance:

Plan project assurance and post evaluation – strategy, framework and plans.

Set out the arrangements for project assurance, including the use of Cabinet Office Gateway Reviews. Other sources of assurance should be considered: technical, quality etc.

Specify the probable timescales for undertaking project implementation and post evaluation reviews, including Cabinet Office Gateway Review 5 (Benefits Realisation).

6. Finalise post-project evaluation arrangements and plans subject to project approval

13. Contingency Arrangements and plans:

A contingency budget of £0.3m has been added to the cost of all estimates provided by GLL's contractors for Option 3, this will be £0.2m for Option 2.

Supporting Documents:

- Project briefing Note
- Financial Appraisal Summary & Appendix

Appendix 1: Financial Summary

	Option 1 Do Nothing - No Investment	Option 2 Minimal Investment	Option 2a Minimal Investment Conservative Growth	Option 3 Full project	Option 3 Full project £200k S106 / SCIL funding	Option 3a Full project Conservative Growth	Option 4 Close Leisure Centre and Dispose	
NPV (over 10 years)	1	5,108	3,724	6,073	6,073	4,515	3,398	
Incremental NPV		5,107	3,723	6,072	6,072	4,513	3,396	
Investment Required	-	1,393	1,393	2,428	2,428	2,428	752	
IRR	0	30%	23%	28%	28%	22%	173%	
Payback		4 Yrs, 11 Mths	6 Yrs, 7 Mths	4 Yrs, 6 Mths	4 Yrs, 6 Mths	5 Yrs, 8 Mths	1 Yrs, 2 Mths	
Revenue Impact	FY 2025/2026	(213)	(98)	(216)	18	43	(101)	(117)
	FY 2026/2027	(254)	20	(122)	190	215	24	(30)
Revenue Impact vs MTFP	FY 2025/2026	(262)	(147)	(265)	(32)	(6)	(150)	(150)
	FY 2026/2027	(303)	(29)	(171)	141	166	(25)	(25)
Assumptions	Incremental income reduction between 20% - 60%	Base Income and Expenditure growth only	Base Income growth limited to 10%	Incremental income increase between 10% - 20%	Incremental income increase between 10% - 20%	Incremental income increase between 10% - 20% Base Income growth limited to 10%	Disposal proceeds of £4.75m expected to be delivered during FY25/26	
	£300k revenue spend anticipated for equipment - split over 2 years							
	1% Management fee applied to capital costs							

Key Assumptions for all options

	Base Income Growth
Year 1	20%
Year 2	13%
Year 3 >	10%

MTFP assumes LBE's share of Partnership Surplus amounting to £49k p.a. for the foreseeable future

Base Income and Expenditure growth included for all options

Assume all work completed by December 2024

No further investment required in the next 10 years?

1% management fee applies to capital works - this is included in the calculations above

MRP rate of 3.5%

Appendix 2

Appendix for Cabinet Papers – Capital Budget Approval Detail

Overview

Name of Project	Southbury Leisure Centre
Project Sponsor	Cheryl Headon
Date of approval	06/06/2024
Date until which this approval remains valid	
Key scope/ quantitative outcomes of the project (substantial changes to these would require budget reapproval)	

Budget

Total budget for the project	£1.4m - £2.4m
Funded by (HRA or General Fund)	General Fund & £0.2m S106 / SCIL Grant Fund
<i>Of which</i> contingency to be held corporately	£0.2m - £0.3m
Contingency can be approved for release by the Programme Board, signed off by responsible Director	Cheryl Headon & CFRP if more than £50k
<i>Of which</i> Budget is released immediately without further approvals required	£1.4m - £2m
<i>Of which</i> budget is to be released subject to project progress/ at a future date and who is delegated to release the budget	£0 - £0.4m
Approved by Individual Programme Board	Cheryl Headon & CFRP
Any specific Condition Precedents before budget is released for e.g. grant conditions, planning conditions or any other identified dependencies	Procurement completed
Any conditions related to rolling forward the budget at the end of a financial year	Work is expected to complete before the financial year end

Asset Information

Which asset is this linked to? All capital expenditure must ultimately contribute to the construction/acquisition or improvement of a specific tangible or non-tangible asset (Description of asset will be confirmed against the Council's Fixed Asset Register)	Southbury Leisure Centre
What is the asset classification(prescribed in CIPFA code of Practice), for example Council Dwellings, Infrastructure Assets, Community Assets, Vehicles, REFCUS	Property, plant and equipment

Taxation

Taxation status – VAT Is an Option to Tax in place? Required to recover input VAT on Land & Buildings which are normally exempt from VAT. Will lessee accept standard rated VAT on rentals? If not this can disapply option to tax which translates to real cost to Council as irrecoverable VAT.	
Taxation status – Stamp Duty Land Tax For acquisition of dwellings or non-residential property have all reliefs and exemptions been explored to minimise costs ? E.g. Finance Act 2003 s72, up to 100% exemption where part financed through Public Subsidy For acquisitions s74, Multiple Dwelling Relief meaning where many properties purchased at once, this relief extends a nil band.	

Milestones (for Option 3, Option 2 is covered in milestones 1-6)

Milestone Ref	Description	£ to achieve milestone	Date milestone anticipated to be achieved	Any conditions before budget for this milestone is released e.g. satisfaction of a previous milestone
1	Roof - Governance	-	24/05/2024	
2	Roof - Site Mobilisation	-	21/06/2024	
3	Roof - Roof replacement	£997k	30/08/2024	
4	Air Handling Unit & Pool Pumps - Governance	-	24/05/2024	
5	Air Handling Unit & Pool Pumps - Mobilisation	-	21/06/2024	
6	Air Handling Unit & Pool Pumps - Installation	£382k	30/08/2024	Interdependency with the roof works
7	Dry side changing rooms - Governance	-	24/05/2024	
8	Dry side changing rooms - Site Mobilisation	-	21/06/2024	
9	Dry side changing rooms - Works	£110k	26/07/2024	
10	Gym Refurbishment - Governance	-	24/05/2024	
11	Gym equipment - Works	-	21/06/2024	
12	Gym equipment - Mobilisation	£472k	26/07/2024	
13	Wetside changing village - Governance	-	24/05/2024	
14	Wetside changing village - Site Mobilisation	-	21/06/2024	
15	Wetside changing village - Works	£440k	11/10/2024	

Assumptions

Review delegated to Individual Programme Boards & EMT Budget

(Example assumptions included in table – delete and update as required)

Ref	Assumption Description	Assumption	Tolerance before review is required
A1	NPV	£5.1m - £6.1m	<£5.1m
A2	Payback Period	<5 Years	>5 Years
A3	Base Income and Expenditure growth included for all options from GLL	5 - 20% growth	
A4	Unforeseen costs relating to condition issues identified	Funded within contingency	If quote increases total budget (after contingency).

Cabinet reporting

When & how will project progress or outcomes be reported back to Cabinet?	Via existing regular capital finance monitoring reports
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