

# **Waverley Borough Council**

**Report to: Executive**

**Date: 3 October 2023**

**Ward(s) affected: Cranleigh**

**Report of Director: Transformation & Governance**

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**Executive Portfolio Holder/ Lead Councillor responsible:**

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**Report Status: Part Exempt**

## **Cranleigh Leisure Centre new build**

### **1.0 Executive Summary**

This report provides the Executive with an update on the Cranleigh Leisure Centre new build project, which is progressing on programme. It also seeks approval to move to the next stage of the project where following stakeholder engagement the detailed design of the centre can begin.

Cranleigh Leisure Centre accounts for 11% of the Council's carbon footprint, it is intended that the design will follow Passivhaus principles, including certification, which will significantly reduce the energy usage of the centre going forward reducing the centre's carbon footprint.

### **2.0 Recommendation to Council**

The Executive is asked to recommend:

That the Council approves:

- 2.1. That a revised capital budget of £31,137,252, as shown in the financial viability assessment at Exempt Annexe 1, be allocated to deliver a new-build Cranleigh Leisure Centre;
- 2.2. That the leisure centre is built to Passivhaus certification standards; and
- 2.3. The delegation of authority to the Joint Director for Transformation and Governance, in consultation with the relevant portfolio holder, to appoint all professional services, including, but not limited to, the Employers Agent, Design team and build contractor, and to complete and execute all required contractual documentation.

### **3. Reason(s) for Recommendation:**

- 3.1 To deliver a new build low carbon leisure centre in Cranleigh, as per Council approval in December 2021.

### **4. Exemption from publication**

- 4.1 Yes, part of the report.
- 4.2 The main report is not exempt from publication.
- 4.2 Annexe 1 to this report is exempt from publication by virtue of paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The content of Annexe 1 is restricted to all councillors.

### **5. Purpose of Report**

- 5.1 This report provides an update on the Cranleigh Leisure Centre investment project. Focusing on the outcomes of Stage 1 and 2 and the impact of the current project position and market on the financial viability assessment (Exempt Annexe 1).

### **6. Strategic Priorities**

- 6.1 The delivery of a new build Cranleigh Leisure Centre directly links with Waverley's Corporate Strategy 2020-25 and our strategic priorities:
  - Supporting a strong, resilient local economy
  - Taking action on Climate Emergency and protecting the environment
  - Effective strategic planning and development management to meet the needs of our communities
  - Improving the health and wellbeing of our residents and communities

- 6.2 The provision of quality leisure facilities will directly facilitate the Council's vision to promote:
- high quality public services accessible for all
  - a financially sound Waverley, with infrastructure and resilient services fit for the future
  - a strong, resilient local economy, supporting local businesses and employment
  - effective strategic planning and development management which supports the planning and infrastructure needs of local communities
  - a sense of responsibility by all for our environment, promoting biodiversity, championing the green economy and protecting our planet
  - the health and wellbeing of our communities.
- 6.3 The new build Passivhaus leisure centre is the opportunity to directly contribute to the council's commitment to be a carbon neutral council by 2030 in line with Waverley's Climate Emergency declaration adopted in September 2019. The Climate Emergency declaration also commits the council to take a leadership role in working with partners to achieve this and ensure that Waverley is financially sound with infrastructure and services fit for the future. Cranleigh Leisure Centre currently accounts for 10% (323 tCO<sub>2</sub>) of the council's greenhouse gas emissions. The impact of a low-energy Passivhaus building could be substantial and could potentially reduce energy consumption by 60%-70%, significantly reducing carbon emissions.
- 6.4 Future investment in leisure facilities is based on a robust feasibility assessment that offers value for money to the Council. External funding and developer contributions will be sought to support funding of any capital cost.

## **7. Background**

- 7.1 Following Council commitment to a multi-million-pound investment in leisure facilities in Cranleigh, the Sport, Leisure and Culture Consultancy ('SLC') were appointed to conduct an Options Appraisal to explore the alternative site options for development of a new leisure facility for Cranleigh.
- 7.2 In March 2020 the Council put all corporate projects on hold due to the Covid-19 pandemic.
- 7.3 In September 2021 a Feasibility Update Report was undertaken by SLC to test conclusions from the earlier, pre-pandemic Options Appraisal.

- 7.4 At full Council on 14 December 2021, it was approved:
- that a capital budget of £19.95m be allocated to deliver a low carbon new-build Cranleigh Leisure Centre, to a minimum of Passivhaus standard;
  - that officers appoint a project manager and specialist energy consultant as part of the professional technical services team, to be supported by an in-house client team and to approve an associated budget of £250,000;
  - to approve a new-build leisure centre on Village Way car park, subject to planning, (Option 1, to the north of the existing centre) as the preferred location, as set out within Annexe 1 of the report; and
  - to ask officers to report back to members when final costs, design, preferred contractor, and precise funding arrangements are known.
- 7.5. A Project Working Group (PWG) was duly formed to deliver a new leisure facility for Cranleigh that will meet the demands of the local community, in terms of facility mix, but also deliver a low carbon building in accordance with Waverley's net zero carbon by 2030 commitment.
- 7.6. Following Executive approval on 7 March 2023, the procurement process for the design team services for CLC new build was completed. GT3 Architects were awarded the contract for the design team (and other professional services required).
- 7.7. GT3, and their design team, subsequently completed stage 1 in May 2023 and issued a report to provide a robust and developed brief for all elements of the project. Works in this stage included developing the schedule of accommodation from the bid brief, the proposed building location and site wide strategy and the proposed sustainability strategy. Stage 1 was approved by Project Board on 19<sup>th</sup> June.
- 7.8. Following Stage 1 sign-off, Stage 2 commenced to look at the concept design and completed on 14<sup>th</sup> August. Items reviewed included the cost plan strategy, co-location requirements, detailed work around the overall site and zones, detailed discussions around the Sustainability strategy, agreeing the wider consultation strategy, conducting and reviewing the Vision Workshop results to inform the design, outlining additional surveys and information required.
- 7.9. Running in tandem, but as a separate project, the Leisure Management Contract procurement commenced in early 2022. The programme for the new build project is inextricably linked and informed by the Leisure Management Contract (LMC) and associated financial viability assessment. Throughout 2022 the PWG

worked on the service specification for the Contracts and completed a comprehensive open tender process.

7.10. The Leisure Management Contract has been successfully tendered and awarded to Everyone Active. The new contract commenced on 1<sup>st</sup> July 2023, securing a positive financial return for the Council for at least 10 years.

7.11. Everyone Active will manage the current leisure centre and play a critical role in the detailed development of the new leisure centre design and specification.

### **7.12. Facility costs**

7.13. The original project budget of £19.95 million was provided by Castons Chartered Quantity Surveyors in September 2021. This figure reflected the outcomes of the Feasibility Study, the live 2021 market position and an energy efficient design.

7.14. GT3 and the project QS, Faithful & Gould (F&G), have been working with the design team to review build costs based on current fees, inflation, building material costs and Passivhaus certification. The indicative high level cost for the design brief is now c. £31.1 million. Detailed costings are included in the financial viability assessment (Exempt Annexe 1).

7.15. During the next detailed design phase, the Design team will consult with stakeholders and explore other options, which could reduce the build cost. However, it is important to note that this would require changes to the original facility mix scope and would impact on the services/facilities currently provided.

7.16. Due to the significant difference in the original approved budget and the revised current budget, F&G has conducted a budget estimate review to highlight the key differences between the two cost plans, in terms of scope and scale. These include, but are not limited to;

- a) Build rates – significantly increased and reflect live market tested data, updated for inflation and location factors.
- b) Area – original concept did not allow for the necessary operational allowances and gross internal wall area.
- c) External works – specifically regarding incoming services, drainage, and surfacing.
- d) Professional fees – unrealistic fees in original bid that do not reflect the current position.
- e) Contingencies – the percentage is the same at 10%. However, the difference in the figures results in an additional cost.

- f) Passivhaus – the build costs now reflect the inclusion of Passivhaus standard construction and certification to provide a guarantee for achieving low carbon principles.
- g) Client costs – additional costs not included in the build budget, including fees, planning costs, surveys and utility services

7.17. F&G will develop the costs throughout the next phases as the facility mix is agreed and design is further refined.

### **7.18. Low carbon principles and Passivhaus**

7.19. Costs indicated reflect building a Passivhaus certified leisure centre. It is a solution that gives a range of proven approaches to deliver a building that helps to improve the health and wellbeing of users.

7.20. Cranleigh Leisure Centre, if designed and constructed to meet the Passivhaus standard to certification, has the potential to become an exemplar low carbon and low energy leisure centre.

7.21. Prior to Cranleigh the design team worked on the two Leisure Centres in the UK that are at the forefront of Passivhaus design – St Sidwells Point (the world's first multi-zonal Passivhaus Leisure Centre) and Spelthorne Leisure centre, (UK's 1st wet and dry Passivhaus leisure facility). All this Passivhaus low energy learning has helped inform and shape the Cranleigh design to date.

7.22. A Passivhaus Certified design for Cranleigh will guarantee the energy and operational carbon performance of the building. There is no other standard with proven evidence that can guarantee this.

7.23. The initial Passivhaus design parameters included at this stage for Cranleigh are:

- Siting the building to maximise solar gain
- Solar orientation with the hot pool zones facing direct south and cool zone facing north
- Thermal zoning
- Optimising MEP plant strategies to reduce pipe and duct runs
- Reviewing structural strategies to limit thermal bridging

7.24. These are the very first and important Passivhaus steps to set the design for energy optimisation and aim for simplification in design and construction of the centre. Passivhaus Certification can only be achieved by the whole design team, the main contractor and their sub-contractors rigorously following the

Passivhaus Certification methodology at each RIBA design and construction stage.

- 7.25. Other low energy/carbon in use methodologies will not guarantee performance and do not offer independent verification as robust as the Passivhaus Certified standard.
- 7.26. Money spent on the Passivhaus Certification route will be money well spent by the Council; in addition to the carbon and energy benefits the financial payback alone is 9 to 15 years (worst case scenario) and after the payback period the yearly energy savings will still continue throughout the life of the project.
- 7.27. When compared to a leisure centre designed and built to modern standards, such as Part L of the Building Energy Regulations, Cranleigh has potential energy savings as high as 50 to 60%.
- 7.28. In addition to energy savings the Passivhaus approach will bring enhanced design and construction quality control to the project resulting in a more robust and resilient building in terms of energy use and future climate adaptation. Of all building types, applying the proven and tested low energy Passivhaus Certified standard makes most sense to a leisure centre.
- 7.29. Due to the high energy loads associated with leisure buildings the added investment in fabric and services provides a quicker rate of return than other low energy standard building types. A high performing thermal envelope coupled with airtight construction will mitigate against rising energy costs and will also better protect the building fabric, helping to extend the building's lifespan.
- 7.30. The Passivhaus methodology is the best long term value and the most logical choice to progress this project.
- 7.31. A detailed Passivhaus report Annex and payback analysis has been conducted by Gale & Snowden, comparing the existing facilities to a new build Passivhaus leisure centre. Initial assessment based on previous energy consumption and an expected energy saving of at least 40% indicate a payback for Passivhaus standard of between 9 & 15 years, depending on the level of energy inflation.

## 7.32. Programme

7.33. The programme has been reviewed by the design team and updated to reflect the latest project information.

Design, Planning & Contractor procurement	Construction, Demolition & External works	Completion
May '24 – Dec '24	Dec '24 – Sep '26	Sep 2026

7.34. It is important to note that the indicative programme is subject to change when the building contractor is procured.

## 8. Consultations and Stakeholder engagement

- 8.1. A detailed Communications Strategy has been developed by our Comms team, in partnership with GT3 and Everyone Active, to ensure that all necessary elements of the programme are fully considered. The plan includes the identification of all stakeholders and a comprehensive proposal for each stage of engagement. It is a living document that will develop and respond throughout the term of the project.
- 8.2. As part of the strategy and Stage 3 we will enter into a detailed stakeholder consultation process. This will inform the review and refinement of the facility mix and ultimately the financial viability assessment that will dictate the facility design.
- 8.3. Next steps will include a survey to gather feedback from key leisure centre users, in addition to initial informal discussions with key external stakeholders including the Parish Council, Co-op, Health Centre and Market.
- 8.4. Following that will be wider consultation and the formal planning pre-application process, which will be led by the Planning Consultants.
- 8.5. The Portfolio Holder for CLC new build, Cllr Townsend, has been involved in the project from inception through every stage and sits on the Project Board to make decisions accordingly.
- 8.6. The Portfolio Holder for Environment and Sustainability, Cllr Williams, has also been kept informed of progress by the Sustainability Manager and was involved in the key stakeholder Vision Workshop.
- 8.7. Key stakeholders will continue to be involved at all relevant stages of the project moving forwards.



## **9. Key Risks**

- 9.1 A comprehensive Risk Log is in place, which is monitored by the CLC new build Project Working Group and Project Board.

## **10. Financial Implications**

- 10.1 The total cost of this scheme is estimated to be £31.1m and the proposal is to fund this from £18m of capital receipts, £1.7m of S106 funding, £250k from reserves (which has already been approved), and the remaining from internal borrowing. The details of the ongoing impact of this scheme are detailed in Exempt Annexe 1. Based on the estimated cost of £31.1m and the assumptions used in the financial viability assessment there would be a 1-year cost to the General Fund of £200k. This can be funded from earmarked reserves which were set up to mitigate inflationary impacts on capital projects.
- 10.2 The borrowing proposed for this scheme of up to £18m has been considered against the impact on our Treasury Management and is within the limits set by the Council in Treasury Management strategy.
- 10.3 Contingencies have been provided within the budget proposal for design and construction, inflation impact and fees/resource costs. These contingencies total around 15% of the build and fee costs. This is a prudent provision given the current uncertainty in build costs and inflation.
- 10.4 Once tenders have been received and final costs of this scheme are known the viability will be updated and all assumptions contained in Annexe 1 will be reviewed.

## **11. Legal Implications**

- 11.1 Any contract awarded under the delegated authority sought in this report must follow a procurement exercise which complies with both public procurement legislation and the Council's own Contract Procurement Rules.
- 11.2 The Council's Legal Services team is supporting this project with legal work on both the contractual aspects and land law issues related to this site.
- 11.3 The Council's Joint Executive Heads of Finance (s.151 officer) and Legal and Democratic Services (Monitoring Officer) should be consulted at all key stages of this project to ensure prudential spending and good governance is maintained.

## **12. Human Resource Implications**

- 12.1 A Project Working Group has been formed incorporating all relevant service areas, including (but not limited to); Leisure, Sustainability, Procurement, Property, Finance, Legal, Assets.
- 12.2 It is imperative that staff resources from all identified teams are allocated accordingly to ensure the success of the project.
- 12.3 Additional staff capacity is required within the Leisure team to manage this project accordingly.

## **13. Equality and Diversity Implications**

- 13.1 An Equality impact assessment will be carried out, as part of the detailed design stage, to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.
- 13.2 The Equality Act requires reasonable adjustments to be made in relation to accessibility, and due regard must be given to any specific needs of likely building users that might reasonably be met.
- 13.3 The new build leisure centre will be designed to meet the needs of the local community with inclusive design being an integral part of the design team and building contractor appointments. The facilities will be flexible in their development to enable programmed usage to maximise accessibility, address future leisure policy and be responsive to customer needs.

## **14. Climate Change/Sustainability Implications**

- 14.1 A new build ultra-low energy Passivhaus leisure centre is the opportunity to make a significant contribution to the council's commitment to become a carbon neutral council by 2030 and ensure that Waverley is financially sound with infrastructure and services fit for the future. Waverley's Corporate Strategy outlines the council's vision and with regard to the climate emergency declaration adopted in September 2019 the council is committed to "*promote and sustain a sense of responsibility for our environment, promoting biodiversity, championing the green economy and protecting our planet.*" This would also support the following Strategic Priorities:
- Supporting a strong, resilient local economy
  - Taking action on Climate Emergency and protecting the environment

- Effective strategic planning and development management to meet the needs of our communities
- Improving the health and wellbeing of our residents and communities

14.2 The Climate Emergency declaration also commits the council to take a leadership role in working with partners to achieve this. The council recognises that business as usual is not an option, it is therefore essential that all opportunities to minimise the carbon impact of any new buildings are explored.

14.3 A new build Passivhaus leisure centre offers an exciting opportunity to maximise energy efficiency, showcase innovative technologies and even become a flagship low carbon project. The benefits of a Passivhaus design are that the heat losses of a building are reduced so that it uses hardly any energy for heating. This would result in a low energy demand and therefore a lower peak energy demand on the National Grid. This would be a clear statement of intent for transition to net zero for Waverley. The leisure centre would also benefit from higher levels of thermal comfort and a lower cooling requirement which would provide a resilient, future proofed building. More effective and healthy ventilation would improve the internal humidity and reduce the risk of air pollutants/infections.

14.4 Energy consultants have been engaged as part of the design stage to produce an Energy Strategy, exploring all options to minimise the carbon impact of a new Cranleigh Leisure Centre to Passivhaus standard. Renewable energy generation should be at the heart of the strategy, exploring onsite renewables as well as the potential of connecting to a district heating system in the vicinity.

14.5 The impact in terms of carbon reduction of a Passivhaus/low carbon building would be substantial and would not only support the climate emergency agenda but could also result in a significant reduction in energy costs for the new leisure centre contractor. The Passivhaus concept focuses on a reduction in energy requirements through passive design, looking at the building orientation, maximising air tightness and fabric efficiency before incorporating the most efficient technologies and renewables to supply heat and energy.

14.6 Leisure centres are by nature very energy intensive buildings and in 2022/23 they accounted for 41% of the council's organisational greenhouse gas emissions with Cranleigh Leisure Centre accounting for 10% (323 tCO<sub>2</sub>) of those organisational emissions. Cranleigh Leisure Centre is the oldest of our leisure centre portfolio and therefore the majority of the plant equipment will be less efficient.

- 14.7 The trajectory Waverley requested from Association of Public Services Excellence (APSE) in 2021 advised that the biggest impact on the council's carbon emission reduction could be from decarbonizing heat in the larger council assets, including leisure centres.
- 14.8 There are currently only two leisure centres in the UK designed to Passivhaus standards. The first one in Exeter was completed in July 2021 and claims to have achieved 70% efficiency in energy and 50% efficiency in water use. The second one, under construction for Spelthorne Borough Council is due for completion in 2024.
- 14.9 Although it is not possible to calculate the carbon footprint of a new Cranleigh Leisure Centre this early in the process, the Spelthorne Leisure Centre could be used as an example to demonstrate indicative carbon emissions of a new build. The new leisure centre will be fully built to the Passivhaus standard and is expected to use between 50 and 60% less energy than a typical modern leisure centre.
- 14.10 Passivhaus design would only take the building so far in terms of minimising carbon emissions. It is likely there would be a requirement to 'offset' any remaining unavoidable emissions. Carbon offsetting does not reduce carbon emissions at source, it can be achieved through various options that will be better understood at the design stage of the project. If connection to a renewable energy system cannot be achieved, off-site options could include consideration of carbon sequestration in tree planting for example; or opportunities for financial contributions for carbon off-setting could be investigated. Costs for offsetting will apply but it is not possible to identify the exact cost of reaching net zero carbon this early in the process.
- 14.11 Waverley Borough Council has a crucial role in tackling climate change. Meeting the target of carbon neutrality by 2030 will be challenging, however, it is extremely important that we do everything we can within our power to work towards achieving it.

## **15. Overview & Scrutiny or Executive Advisory Board comments**

- 15.1 This report will be updated to reflect the comments from O&S once the Services Committee meeting on 26 September has taken place.

## **16. Suggested issues for overview and scrutiny**

- 16.1 No issues identified at this time.

## **17. Summary of Options**

17.1 All possible options have been considered and have been incorporated into the report above.

## **18. Conclusion**

18.1 The indicative build cost estimate is currently c. £31.1M based on the current facility mix.

18.2 Building to Passivhaus certified standard has been fully explored and costed as an integral part of the project, to minimise carbon and energy usage.

18.3 As per the original Council approval and specified facility mix the project has been costed on the current facility provision. Following stakeholder consultation, the facility mix will be refined in the next detailed design stage.

## **19. Background Papers**

- Cranleigh Leisure Centre new build - Executive report (7 March 2023)
- Cranleigh Leisure Centre Investment - Executive report (30 November 2021)
- Cranleigh Leisure Centre Building Survey - Condition Appraisal (July 2022)
- The Sport, Leisure and Culture Consultancy - Cranleigh Leisure Centre Feasibility Study Update (September 2021)
- Cranleigh Leisure Centre energy efficiency and carbon reduction review (February 2020)
- The Sport, Leisure and Culture Consultancy - Cranleigh Leisure Centre Options Appraisal (July 2019)
- Leisure centre Investment: Farnham Godalming and Cranleigh - Executive report (10 July 2018)
- Indoor Leisure Facilities Strategy (May 2017)

## **20. Appendices**

Annexe 1 - Financial Viability Assessment (EXEMPT)

Please ensure the following service areas have signed off your report. Please complete this box, and do not delete.

<b>Service</b>	<b>Sign off date</b>
Finance / S.151 Officer	25/9/23
Legal / Governance	25/9/23
HR	23/9/23
Equalities	23/9/23
Lead Councillor	25/9/23
CMB	25/9/23
Executive Briefing/Liaison	25/9/23
Committee Services	25/9/23