

Report to the Cabinet

Report reference: C-042-2018/19

Date of meeting: 11 April 2019



**Epping Forest
District Council**

Portfolio Holder: Leader of Council

St John's Road Development – Progress Report and Provision of New Leisure Centre

Responsible Officer: Derek Macnab (01992 564050).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) That Members note the general progress on the St John's Road redevelopment scheme, and**
- (2) That on the basis that the estimated Capital Costs for the construction of the new Leisure Centre are recovered by an uplift in management fee from the Council's Leisure Management Partner and capital receipts from the sale of the current Epping Sports Centre, as contained in the Development Appraisal, that formal negotiations are entered into with Places Leisure to vary the Leisure Management Contract for the development of a new Leisure Centre at the St John's Road Site, on a Design, Build, Operate and Manage basis, and**
- (3) That in order to construct the new Leisure Centre in the optimum location, that the District Council enter into formal discussions with Epping Town Council to acquire Epping Hall, to include the potential relocation of the Town Council to 323 House at the Civic Offices, and**
- (4) That expressions of Interest are sought for suitable qualified Cinema operators to establish the viability of the conversion of the Centrepoint Building in St John's Road, Epping and identify the most favourable financial agreement that could be reached, and**
- (5) That the Council adopt a similar approach as utilised in the development of the Epping Forest Shopping Park, namely that a specialist project team is appointed to procure the construction and letting of the units and that a further report is received on costs, and**
- (6) That a future report be received on the most viable option to deliver the residential element of the project.**

Executive Summary

The St John's Road development is an important strategic project for the Council. Negotiations on a tripartite agreement between the District Council, Epping Town Council and the previously appointed development partner, Frontier Estates, failed to reach a mutually acceptable conclusion and terminated in October 2018. On the 10 December 2018, the Cabinet agreed to proceed with an alternative scheme, still in accordance with the previously adopted Design and Development Brief, but incorporating a replacement Leisure Centre for Epping Sports Centre.

This report updates Members on general progress with the redevelopment of the site, and specifically seeks authority to proceed with the new Leisure Centre in partnership with Places Leisure. In addition it seeks agreement on an approach to the procurement of the Retail and Cinema provision.

Reasons for Proposed Decision:

The St John's Road development site in Epping, comprises of the former Junior School, Town Council Offices and Hall and the District Council's housing repairs depot. Located in an important town centre location, redevelopment could deliver considerable community and economic benefits for residents, businesses and visitors to Epping. As the former school buildings have not been utilised for a considerable number of years, it is imperative that the Council, as owners, bring forward a redevelopment scheme in the wider public interest.

Other Options for Action:

There are a number of potential alternative options available to the Council to include the sale of the core site on the open market, to include the adjacent depot, or alternatively, the Council could seek another private sector development partner. Although the site does have an adopted Design and Development Brief and an allocation in the Submission Version of the Local Plan, these external marketing approaches would see a loss of direct control, potentially incurring further delay, and the risk that any new owner/partner would not produce a scheme, which fully realises the community benefits sought. As a result of the Council adopting any alternative options, the result would likely be a need to find an alternative site for the relocation of Epping Sports Centre. This is because community sports provision of the type envisaged, would not be attractive to potential private sector developers, who would wish to provide more commercial facilities.

Report:

1. At their meeting on the 10 December 2018, the Cabinet noted the failure to conclude the tripartite agreement between the District and Town Council and Frontier Estates, for the redevelopment of the St John's Road site in Epping. On this basis, Cabinet agreed to proceed with an alternative scheme in accordance with the previously adopted Development and Design Brief. This was in order to seek to deliver the community and economic benefits sought. Acknowledging the split ownership of the site, Cabinet also agreed to enter into partnership with Epping Town Council as part of any new scheme to ensure a strategic approach to this important Town Centre location. However, in the event of a partnering arrangement not being possible with Epping Town Council, the Cabinet's intention would be to still proceed with the St John's Road Development project, on land within the District Council's ownership.
2. Members of Cabinet also agreed that as a result of the assessment undertaken by independent consultants, as required by Sport England, that the St John's Road site becomes the preferred site for the re-provision of Epping Sports Centre, in a final form to best meet the future leisure needs of the local community. Members sought further work on the business case for the replacement Leisure Facility which has now been undertaken.

Business Case for Replacement Leisure Facility

3. As highlighted above, the District Council commissioned external consultants, to undertake the feasibility work. At the inception of the work by “The Sports Consultancy”, the focus was to explore alternative sites, to the proposed location identified at North Weald Airfield as part of the Local Plan North Weald Masterplan. However, with the collapse of the negotiations with Frontier, the St John’s Road was then included within the scope of the study, as an alternative location, which up until this point had not been available. The review exercise, which involved engagement with local Members as well as users of the existing Sports Centre in Epping, concluded that the most viable site for a new Leisure Centre is the St John’s Road site in Epping. In summary, the key reasons for this, are the sustainable location of the site in terms of access, that the facility mix proposed would drive increased participation, enhance financial viability of the Leisure Management Contract and that Epping Sports Centre users would suffer less displacement.
4. Having determined in principle that St John’s Road was the preferred location, a number of specialist technical studies were commissioned to include topographical, ecological, arboricultural and heritage assessments. These studies have concluded that there are no significant constraints present, that cannot be overcome by good quality planning and design.
5. Informed by the survey outcomes, external consultants appointed by the Council have undertaken some initial masterplanning of the site to develop indicative layout options. The key components of the mixed-use scheme outlined within the original Development and Design Brief and at the scale reflected in the overage agreement with Essex County Council, have been incorporated. These are the locally listed buildings, i.e. Centre Point Building (potentially future Cinema use), the Cookery School (potentially future food/beverage use) and the Headteacher/Caretaker’s House. In addition, 1310 sqm. of retail and 32 housing units have been included. The most significant change in the future scheme is the removal of the food store and the incorporation of a new wet and dry Leisure Centre with some associated parking.
6. The masterplanning options appraisal to date, albeit of an indicative stage, has clearly demonstrated that the site can accommodate the scale and mix of uses. However, this is on the basis that Epping Town Council make the area occupied by their offices and hall available for the new Leisure Centre. Whilst this is the best location in terms of topography, access and relationship to the protected heritage buildings, it would still be possible to provide the new Leisure Facility on land wholly owned by the District Council. However, this would compromise the remainder of the development.
7. The needs analysis, research and consultation undertaken by Sports Consultancy has recommended the following facility mix:

Core Facility Mix	Unit/Size
Main Pool	6 lane x 25m pool
Learner Pool	15m x 10m with moveable floor
Sauna & Steam Room	Sauna/steam room/spa
Sports Hall	4 courts
Health and Fitness Suite	120 stations
Spin Studio	1 x studio (64 sqm)
2 x Group Exercise Studio	160 and 250 sqm
Multi-purpose Community Room/Creche	70 sqm
Reception with Retail Area	Included
Café	145 sqm
Squash Courts	2 x courts
Soft Play	Included
Physiotherapy and Treatment Rooms	2 rooms
Car Parking	TBC*

**Car parking provision will be established as part of a detailed transport assessment and the exploration of sustainable transport options, which would be the preferred option.*

Funding and Affordability

8. Based on initial quantity surveyor's cost estimates to provide the recommended facility mix, it has been estimated that a new Leisure Centre could be developed on the site at a capital cost of £18m. This would include demolition, public realm and car parking, an appropriate contingency, professional fees and an allowance for construction inflation.

9. In addition to the assessment of Capital costs, the Sports Consultancy have undertaken modelling on revenue projections for the new facility, to include savings from the operating costs and future maintenance costs associated with the existing Epping Sports Centre combined with the potential capital receipt from the sale of the existing Sports Centre, plus income generated by the new facility. This has been projected over the remaining length of the contract with Places Leisure, once the new Leisure Centre building is operational, i.e. 14 years. The revenue projections will form the basis of negotiation with Places Leisure, who will undertake the provision of the new Leisure Centre on a Design, Build, Operate and Maintain basis, (as successfully adopted for the construction of the new Waltham Abbey Leisure Centre). The conclusion reached to date, is that the uplift in the management fee paid to the Council by Places Leisure should be sufficient to significantly offset the Capital Costs of the new Leisure Centre over the life of the new facility.

10. The work to reach these conclusions was presented to the Leisure Management Partnership Board on the 13 February who had the opportunity to challenge a number of assumptions. Because of the commercial sensitivity of the Capital and Revenue Projections, given that this will form the basis of future procurement and negotiation with Places Leisure, the details are contained within the Development Appraisal attached at Appendix 1 in the Part II Confidential Section of the Agenda.

11. An indicative Strategic Programme, containing estimated timescales has also been developed. However, in summary, it is estimated that it would be possible, subject to Planning, to open the new Leisure Centre in March 2022.

Partnership with Epping Town Council

12. Epping Town Council have agreed in principle to adopt a partnership approach with the District Council. However, as the Leisure Centre optimum location is on land owned by the Town Council, in order to proceed on this basis, then clearly the Town Council will need to relocate its offices and community facilities.

13. Initial informal discussions have resulted in independent valuations being undertaken for not only the Epping Hall, but also 323 House at the front of the Civic Offices in the High Street. The current 323 House, will be surplus to the District Council's requirements as part of the Accommodation Strategy and may be suitable to accommodate the Town Council in future. It is an aspiration of the District Council to create a public service hub at the Civic Offices, and relocating the Town Council would benefit customers of both authorities, and importantly, still allow the Town Council to maintain a degree of independence by virtue of 323 House having its own access on to the High Street. Another advantage is that 323 House is capable of hosting meetings of various sizes and could be internally reconfigured to accommodate some activity sessions. Any other current users of Epping Hall could be accommodated in the new Leisure Centre.

14. A joint member project board is already being established between the District and Town Councils to ensure co-ordination and communication around the project, reporting through their respective governance arrangements. It is hoped that the initial joint meeting can take place before the Cabinet meets to consider this report.

15. Notwithstanding there is a need to start to formally negotiate the purchase of the Epping Hall Site and potential relocation of the Town Council to 323 House, in order to move the project

forward.

Other Considerations for the St John's Road Site

16. As part of the earlier public consultation undertaken in developing the original Development and Design Brief, the provision of a Cinema was cited by many respondents, particularly young people as a facility that would be welcomed as part of any future scheme. A cinema was one of the key elements that the previous Frontier proposal would have provided, albeit in a new building. However, the Council has been in informal discussions with a number of potential cinema developers and operators, who have identified that the Centrepoint building would be capable of conversion. The advantage of this approach is that it would maintain the integrity of one of the locally listed buildings. No formal procurement process has commenced and it is unclear as to what potentially could be achieved either through a sale or lease arrangement. Permission is therefore being sought to move this component of the scheme forward.

17. With regard to the remaining elements of the scheme i.e. housing and retail, further development appraisal work will be required to establish the best delivery mechanism. With respect to the residential units, it may be that once a planning consent is achieved, that part of the site is sold to a private house builder. Alternatively, the Council is actively exploring the establishment of a locally owned Housing Company, which could bring forward the homes. The preferred option will be the subject of a future report.

18. Similarly, there are a number of approaches to the development of the retail food/beverage component of the redevelopment, to include partnering with a specialist retail developer. However, given the success of the Epping Forest Shopping Centre, where the Council established a consultant project team to procure the construction and letting of the retail units, this would be the recommended approach to St John's. The advantage of this approach is not only to retain control of the form of development and tenant mix but also to be able to generate ongoing revenue benefits, as opposed to a one-off capital receipts.

Summary and Decisions Required

The report provides an insight into the history of the St John's Road Development Site and the key considerations and decisions up to this point. With the failure to proceed with the tripartite scheme with Frontier, the opportunity has now been taken to adopt an alternative approach. In planning terms, the site benefits from both the adopted Development and Design Brief and an allocation in the Submission Version of the Local Plan.

The Council has in principle, decided to replace Epping Sports Centre on the site by way of a new Leisure Centre to replace the Food Store component. The St John's Road site being assessed as the preferred location in terms of sustainability, participating and viability. The scheme could proceed without the land ownership of the Town Council, but this would not achieve the best form of development and compromise the economic and community benefits. A new joint committee is being formed, however, a legal agreement will need to be entered with the Town Council which satisfies the needs and aspirations of both Councils, with respect to land acquisition by the District Council and relocation of the Town Council to 323 House.

An initial master-planning exercise of the site has been undertaken along with a considerable amount of technical feasibility work. Similarly, a full cost and development appraisal has been undertaken to establish the capital costs of a new Leisure Centre and the potential revenue benefits/consequences for the Council.

A decision is required to enter formal negotiations with Places Leisure on this basis with the objective of achieving an uplift of the existing management fee to offset the construction costs of £18m estimated for the provision of the new Leisure Centre. It should be noted that under the terms of the current contract with Places Leisure the Council is responsible for the future maintenance costs at both Epping and Ongar Leisure Centres after year five of the current contract. Given the age and condition of these two Leisure Centres the costs are significant.

A new Leisure Centre at St John's Road would mitigate this future maintenance risk with respect to Epping Sports Centre. Similarly, the Council has taken the decision to remove the Ongar Leisure Centre site from the Submission Version of the Local Plan, therefore removing the possibility of the Centre being redeveloped for housing. The Council has also embarked on further work to assess the building's current condition and develop options for the ongoing provision of community sports and leisure facilities to serve the residents of Ongar and neighbouring villages.

In order to establish the viability of the Centrepont Building being converted for Cinema use, it is recommended that a formal Expressions of Interest exercise is undertaken to include a comparison of a freehold disposal or a leasehold approach.

Finally, a steer is required on the approach to the development of the retail offer and to seek further reports on how best the residential element of the scheme can be delivered.

Resource Implications:

Development Appraisals are required to be undertaken identifying the potential capital costs and revenue returns achievable through any preferred form of development of any of the elements of the project. These should include the value of investment by other partners and reflect the risks involved. The costs of external consulting support will also need to be identified and included

The estimated £18m capital costs of the potential new leisure centre have been developed based on the outcome of site surveys, masterplanning, site specific location and facility mix. The current contractual arrangements with Places Leisure allow for the Council to lend the contractor capital, which is repaid through the management fee. This approach has been successfully applied in the construction of Waltham Abbey Swimming Pool. A full appraisal of capital costs and revenue consequences of the new Leisure Centre are contained at App1 in the Confidential Part of the agenda.

Legal and Governance Implications:

A new governance structure will be put in place around the management of the project in accordance with the Council's adopted project management systems. This will include regular reporting to the Asset Management and Economic Development Cabinet Committee. Some legal support will be required with respect to the completion of development agreements and leases/licences to prospective future tenants.

Safer, Cleaner and Greener Implications:

The current St John's Road site is subject to anti-social behaviour. The new structure will address this through producing a vibrant town centre leisure and retail venue. A considerable positive environmental impact could be achieved with additional public open space provided. A new leisure

centre would be built to high energy efficiency standards.

Consultation Undertaken:

With shareholders and public as part of the Development and Design Brief.
Leisure Management Partnership Board February 2019.

Background Papers:

Sports Consulting Appraisals
Cabinet 10 December 2018

Risk Management:

A formal risk management appraisal and management plan as for all Capital Projects will be developed. As highlighted in the report, there is a significant risk to the Council of maintenance liabilities associated with Epping Sports Centre. As part of the procurement of the current Leisure Management Contract, bidders were unwilling to undertake this risk themselves after year five of the contract, without large reductions in the management fees payable to the Council. In the case of Epping Sports Centre, the maintenance liability could be in excess of £300k p.a.