



**Appraisal of the 'Healthy Town' Towns Fund
Proposal**

**A Report for Pendle Borough Council and the
Towns Fund Board**

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1 Project Overview and Appraisal Approach

Key Points

- £2.32m of Towns Fund monies is being requested to deliver the Healthy Town project. This investment comprises:
 - Investment in the leisure / fitness offer at Pendle Wavelengths through new enhanced facilities including fitness room, fitness studio for under 16s, interactive fun activities and upgraded water features
 - Investment in three parks bringing about an improvement of 23,165 sqm of green space.
- ekosgen has prepared this appraisal in line with Green Book principles, based on the submitted project business case, supporting documents and clarification responses secured during the appraisal.

Scheme Overview

Overarching ambition

1.1 The applicant (Pendle Borough Council and Pendle Leisure Trust) is requesting £2.32m of Towns Fund investment towards a total project cost of £3.10m to deliver the Healthy Town project in Nelson. This aims to enhance Nelson's leisure offer and create high quality green spaces, responding to a need to improve the town's leisure offer and green infrastructure which is currently substandard. Through the delivery of investment across four sites (Pendle Wavelengths and three parks) this package of measures is intended to address poor resident health outcomes and improve the vitality of the town centre.

1.2 Healthy Town constitutes one of eight shortlisted priority projects that have been identified through the development of the Nelson Town Investment Plan.

1.3 The stated investment priorities of the Healthy Town project are:

- To provide enhanced leisure and recreation space – increasing its visibility and accessibility
- Enhance the arts, culture and heritage offer in Nelson to support quality of life and retain and attract spend and provide more activities for young people
- Improve the image of Nelson to visitors
- Providing the facilities and infrastructure to enable residents to live healthy, active lifestyles

Scope of works

1.4 The project comprises two core capital elements: Pendle Wavelengths extension and refurbishment; and green space improvements at three local parks (Marsden, Victoria and Walverden Parks).

1.5 The **Pendle Wavelengths** investment will fund expanded parking provision and an extension to house new facilities, including:

- New Functional Studio and multi-use activity space (133sqm)
- New specialist Junior Gym facility (50sqm)
- Breakout Space (25sqm)
- New Water Features to the Pool Beach area

1.6 These investments are intended to enable a range of new fitness activities to be provided such as Biocircuit Technogym, PRAMA and Play Lü. These new activities will have a specific focus on engaging currently inactive groups in Nelson with regular physical / fitness activity.

1.7 The investment in green infrastructure is summarised in the table below.

Park	Interventions
Marsden Park	<ul style="list-style-type: none"> • Tennis courts & football court resurfacing and fencing / paving • Upgrade to equipment at the existing playground • Creation of a cycle pump track at the Old Lido area • Replacement of street furniture, interpretation and surfacing upgrade at various locations
Victoria	<ul style="list-style-type: none"> • Shelter removal and replacement at the lakeside • Bridge refurbishment at lakeside / river • New pathway through woods at Carr Road woodland • Entrance improvement at Seedhill • Junior cycleway at Bandstand area • Improving subway lighting and drainage • Playground improvements • Replacement street furniture, surfacing improvements and interpretation at various locations
Walverden	<ul style="list-style-type: none"> • Senior playground – outdoor gym and playground upgrade • Junior playground – playground upgrade • Replacement street furniture, surfacing upgrade and interpretation at various locations

Outputs, Outcomes and Impacts

1.8 The table below summarises the project outputs, outcomes, impacts and wider benefits.

<p>Outputs</p> <ul style="list-style-type: none"> • Improvement of 23,165 sqm of green space across three parks. • Development of 257 sqm new leisure facilities provided at Pendle Wavelengths. <p>Outcomes</p> <ul style="list-style-type: none"> • £3.49m social value associated with improved wellbeing • 40,000 additional attendances at Pendle Wavelengths annually by people using new and improved facilities. Including: <ul style="list-style-type: none"> ○ 14,000 additional attendances at Pendle Wavelengths by young people using new fitness facilities ○ 5,000 additional attendances to leisure pool every year to access upgraded pool facilities 	<p>Impacts</p> <ul style="list-style-type: none"> • Improved health and wellbeing for Nelson's residents • Increased footfall in Nelson with people using the town centre for a greater variety of reasons • More balanced town centre offer and better facilities for young people making Nelson a better place to live, work, visit and invest. <p>Wider Benefits Include:</p> <ul style="list-style-type: none"> • Reduced burden on public health services.
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1.9 The project outputs and outcomes align with the following set out in the Town Deal intervention framework for 'Arts, Culture & Heritage':

- **Outputs:** New, upgraded or protected community centres, **sports or athletics facilities**, museums, arts venues, theatres, libraries, film facilities, prominent landmarks or historical buildings, parks or gardens.

- **Outcomes:** Perceptions of the place by residents / visitors; and Number of visitors to arts, cultural and heritage events, and venues.

Appraisal Approach

1.10 This appraisal has been completed by ekosgen, an independent economic research consultancy specialising in the production and appraisal of business cases. Following receipt of the Business Case and supporting documentation, ekosgen completed an initial assessment against the requirements of the Towns Fund and HM Treasury Green Book before issuing clarifications to Pendle Borough Council and Hatch (the consultancy supporting the development of the business case).

1.11 This assessment takes account of the information provided throughout this process and is based on the following documents:

- Healthy Town Business Case received 29th April 2022 and updated Business Case received 31st May 2022
- Clarification Responses (received 31st May 2022)
- Supporting Appendices

1.12 Findings have been presented case by case.

2 Strategic Case

Key Points

- The project is aligned with local and national policy objectives and supports objectives outlined in the Nelson Town Investment Plan.
- The business case demonstrates poor health outcomes in Nelson and evidence of substandard green infrastructure and poor perceptions of the town locally.
- Stakeholder engagement has been used to demonstrate demand for the proposals and to identify priority groups that the interventions will target.
- The business case articulates the potential outcomes of improving the leisure facilities and infrastructure amongst specific groups and the wider opportunities for the town of Nelson.

Recommendation:

- The case as set out is suitable for investment

2.1 Assessment of the strategic case considers the project's strategic alignment with Towns Fund objectives and the wider local policy context, evidence of the case to intervene and the connection between the project and identified issues and opportunities.

Strategic Fit

2.2 The delivery of the Healthy Town project aligns with the strategic objectives (SO) of the Town Investment Plan. It does this, broadly, through supporting the health and wellbeing of its residents (SO5), enhancing physical connections to support inclusion and economic growth (SO9) as well as contributing towards community cohesion and sense of place and identity (SO1) and reinforcing Nelson's role as a key service centre (SO6).

2.3 The business case outlines how the project contributes to the Town Investment Plan's cross-cutting principles of collaboration and engagement, clean growth and economic recovery. It also briefly outlines how the project supports and complements the other seven identified Town Deal projects.

2.4 Alignment with the Town Deal intervention framework is explained with the proposed interventions falling within the 'arts, culture and heritage' theme. The relevant indicative outcome under this theme is 'new, upgraded or protected community centres, sports or athletics facilities, museums, arts venues, theatres, libraries, film facilities, prominent landmarks or historical buildings, parks or gardens'. Relevant outcomes within this intervention framework include: perceptions of place by residents / visitors; and number of visitors to arts, cultural and heritage events and venues.

2.5 The project has a strong strategic fit with a range of national, sub-regional and local policy documents. At the local level, it supports Pendle Borough Council's vision to enhance quality of life in Pendle as outlined within its Strategic Plan 2020-23 and supports the Council's Local Plan Core Strategy strategic objective to "*protect, enhance and improve access to green open spaces, sport and recreation facilities to improve health and well-being through the promotion of more active lifestyles.*" Alignment with a range of other local / sub-regional policies, strategies and projects is also demonstrated, including: Healthier Pennine Lancashire – Together a Healthier Future, Pendle Health and Wellbeing Plan, Pendle Cycling Strategy, Together an Active Pendle, Pendle Economic Recovery and Growth Strategy, Pendle Sport and Leisure Strategy 2019-2024 and Active Lancashire – A Decade of Movement.

2.6 Through the project's delivery of facilities and green infrastructure that encourages residents to adopt more active lifestyles (and by inference encourage a shift towards active travel modes), alignment is demonstrated with environmentally focused national strategies such as Net Zero Strategy: Build Back Greener, Decarbonising Transport: A Better, Greener Britain and the 25 Year Environment Plan.

2.7 The project's strategic fit with the Levelling Up agenda is also articulated through its direct contribution towards the Levelling Up 'Missions' associated with health, wellbeing and pride in place. The potential for the proposed new facilities at Pendle Wavelengths to contribute towards the 'skills' and 'living standards' missions is also relevant.

Rationale and Logic for Intervention

2.8 The business case demonstrates how the project both addresses challenges and responds to opportunities set out in the Nelson Town Investment Plan.

2.9 The business case demonstrates how stakeholder / community engagement work has highlighted local challenges that the project seeks to respond to, such as: poor health indicators, poverty, low participation in physical activity. A series of 'priority groups' who are disproportionately affected by these challenges are identified through this process. Such groups include inactive young people (particularly above the age of 12-13) and ethnic minority groups who are typically harder to reach, (for example, Muslim women). This work also elucidates some of the important barriers to increasing participation such as cultural and language barriers and a need to diversify the local offer to make participation in physical activities more inclusive to a broader range of groups.

2.10 Appropriate data is used to further evidence these challenges, particularly in relation to poor health outcomes. Data is presented that highlights higher than average child obesity levels and residents in bad or very bad health, poorer housing quality and the quality / upkeep of public spaces. Furthermore, challenges in relation to community cohesion and local identity / pride are articulated through reference to survey data on local area satisfaction and reference to the occurrence of increases in racist and hate crime incidents.

2.11 The way in which the project can respond to local opportunities is explained with the business case drawing upon opportunities identified within the Nelson Town Investment Plan. Such opportunities include how the project can capitalise on the high-quality natural environment and rich heritage that surrounds Nelson by strengthening the town's natural capital assets. Additionally, the improvement of the facilities at Pendle Wavelengths will enhance Nelson's proposition as a key service centre. Both of the opportunities cited support for a more attractive proposition to residents and visitors.

2.12 It is the appraiser's view that the approach to the project is sufficiently evidenced and based on a clear rationale.

Clarity of Objectives and Market Failure

2.13 The business case clearly demonstrates how the project both addresses key challenges and responds to core opportunities set out in the Nelson Town Investment Plan. The business case clearly sets out the investment priorities:

- To provide enhanced leisure and recreation space – increasing its visibility and accessibility
- Enhance the arts, culture and heritage offer in Nelson to support quality of life and retain and attract spend and provide more activities for young people
- Improve the image of Nelson to visitors
- Providing the facilities and infrastructure to enable residents to live healthy, active lifestyles

2.14 A theory of change is set out for the project which shows the link from the context for intervention, rationale, activities, outputs, outcomes through to intended impacts. The theory of change helps to articulate the project and demonstrate the case for intervention.

2.15 As evidence of market failure, the business case cites the positive externalities associated with the provision of enhanced leisure facilities and green space. Those referenced relate to outcomes / impacts articulated in the logic model and include improved health and wellbeing outcomes, increased town centre footfall (linked to more people using the improved facilities) and improved economic outcomes (linked to an improved overall leisure offer making Nelson a better place to live, work, visit and invest). This market failure is considered to be valid for the project and demonstrates the need for public intervention.

3 Economic Case

Key Points

- The economic case assessment complies with the place-based approach to impact assessment outlined in the HM Treasury Green Book (2020) and Towns Fund guidance.
- Appropriate benefits were identified to reflect the nature of activities proposed and the purpose of interventions.
- The preferred option delivers a benefit cost ratio of 1.7.
- Sensitivity testing shows that the significant changes to core input assumptions would continue to offer a positive return on investment.

Recommendation:

- The case as set out is suitable for investment

3.1 The economic case was produced by Hatch, an economic development consultancy with experience producing Green Book compliant economic cases for a range of funding streams and intervention types.

Options Identified and Assessed

3.2 The options appraisal follows a standard approach providing a range of options for consideration, including a 'do nothing' (reference case) scenario in line with Green Book Guidance. The business case sets out the following options:

- **Do Nothing:** the reference case option assumes that Wavelengths leisure centre remains in its current use, meaning a continuation of existing poor provision of affordable gym options in Nelson and a continuation of limited opportunities for engaging youth focused physical activity. Similarly, this option involves no investment in improving the three parks meaning a persistence of the issues currently affecting them such difficult access, poor upkeep and antisocial behaviour.
- **Option 1: Upgrade parks and pool only ('Do Less')**: this option limits the scope of works to a series of standalone interventions without dependencies to the rest of the Healthy Town project. These works involve the upgrading of the pool beach area at Wavelengths and improvements to park accessibility, paving, safety and play areas.
- **Option 2: Wavelengths extension Option A:** this option is focused on an extension and improvements at Wavelengths, without the park upgrades. This involves the remodelling of existing first floor facilities to cater for the new proposed activity areas, with an extension to the east of the reception area, to re-provide the fitness studio that has been repurposed as the new Youth activity area.
 - New functional studio and multi-use activity space 195 sqm
 - New specialist Junior Gym facility – 62 sqm
 - New extension re-providing a Fitness Studio – 125 sqm
 - New Water Features to the Pool Beach area

- **Option 3: Wavelengths extension Option B:** as per Option A but a larger extension to provide new Junior Gym / ladies only facilities and allowing the expansion of the first-floor gym. This option provides a dedicated area for the proposed users, whilst still being connected to the existing facility. There is also a dedicated breakout space, which could accommodate socialising, gaming, and other such activities.
 - New Functional Studio and multi-use activity space (133sqm)
 - New specialist Junior Gym facility (50sqm)
 - Breakout Space (25sqm)
 - New Water Features to the Pool Beach area
- **Option 4: Wavelengths extension and parks (Preferred Option):** this option provides the parks investment (as per Option 1) alongside the Wavelengths extension (as per Option 3).
- **Option 5: Parks and new build leisure facility ('Do Maximum'):** as per Option 4 but with an expanded scope to provide the type of activity space proposed as part of an entirely new build development rather than as an extension/refurbishment of Pendle Wavelengths.

3.3 A qualitative RAG approach is adopted to assess the long list of options against four project critical success factors:

- **CSF 1:** Strategic Fit
- **CSF 2:** Potential Value for Money & Optimisation of Benefits
- **CSF 3:** Potential Affordability
- **CSF 4:** Potential Achievability

3.4 Responses to the appraiser's initial questions provided clarification regarding the distinction between Options 2 and 3 (Wavelengths extensions Options A and B). Whilst the two options are very similar, crucially, they can be differentiated based upon their relative achievability (CSF4). The rationale for this is set out in Alliance Leisure's feasibility report (Appendix C6) and is based upon the potential for Option 3 (extension option B) to provide operational segregation of youth and women's only space. This is considered to be vital in encouraging engagement within the identified priority groups.

3.5 Options 1, 2 & 3 are all scored 'amber' in relation to CSF1 and CSF2. All three options are considered to be only partially effective in fulfilling strategic fit objectives (CSF1) and by failing to encourage participation among target groups as effectively leading to reduction in benefits optimisation (CSF2). Incorporating both Options 1 and 3, Option 4 is identified as the only option to be scored 'green' against all four critical success factors and is selected as the preferred option. A 'Do Maximum' option (Option 5) is discounted on the basis of affordability and achievability constraints.

3.6 The appraiser is satisfied that each longlisted option's RAG rating can be understood and is supported by clear explanation. Whilst we would typically expect that alternative shortlisted options are presented, since Options 1 and 3 are the component parts of the Option 4 (preferred option), a separate value for money assessment of each of these components is not considered to be necessary or proportionate.

Project Costs

3.7 All costs are discounted at a rate of 3.5% per annum in line with HM Treasury guidelines. All future costs are deflated to 2021 prices using an appropriate GDP deflator¹.

¹ TAG Annual Parameters, November 2021

3.8 Optimism Bias (OB) has been applied to all costs at a rate of 24%, representing the upper bound of the standard building projects proposed in the Green Book. Further justification could be provided in relation to OB adjustments for park improvements as these would not typically fall within the category of standard building work. However, the use of a blanket assumption at the upper OB bound suggests that the risk of understating potential cost overruns is reduced. The appraiser is therefore satisfied that this approach is proportionate for a scheme of the size and nature and that all OB adjustments are appropriate and in line with HM Treasury guidance.

3.9 The table below summarises the net present value of economic costs for Option 4 (preferred option), including optimism bias.

	Option 4 (Preferred Option)
Wavelengths	£2.52m
Parks	£0.94m
Total	£3.46m

Project Benefits

3.10 The benefits identified as part of the project's Benefit to Cost Ratio (BCR) assessment include those relating to **participation in sport** and **wider land value uplift**.

3.11 Benefits related to **participation in sport** capture the subjective wellbeing impacts that accrue to individuals, using benchmarks derived from the HACT social value bank and research carried out by DCMS. The applicant has captured benefits across three separate categories that reflect the proposed activities at Pendle Wavelengths:

- 'Swimming' – applied to pool users
- 'Keep fit' – applied to the fitness / gym users
- 'Frequent moderate exercise' – applied to users of the new facilities targeted at priority groups (e.g. PRAMA, BioCircuit and PlayLu)

3.12 Clarifications have provided additional justification in relation to benchmarks for valuing wellbeing impacts and the attribution of the correct sources. All benchmarks have been updated to 2021 prices using a GDP deflator.

3.13 Estimates of the number of users attending the Wavelengths facility annually across each activity category have been provided with reference to throughput modelling undertaken by Strategic Leisure Limited (Appendix C4). This has been converted into estimates of individual users by assuming an average of one visit per week for a typical user. Further assumptions are made to account for deadweight and to estimate the number of new users to which benefits accrue. These are based on information provided by Strategic Leisure Limited and across the three user categories equate to 750 new users per annum. For users under the 'frequent moderate exercise' category, it is assumed that all users will be new users since the facilities being provided are completely new, in contrast to pool and gym facilities where it is assumed that only a small percentage of users will be new.

3.14 Clarifications have provided assurance that the possibility of double counting of users across the three user categories has been considered. The risk of this is assessed as being low, justified on account of the high levels of deadweight assumed in the calculations and the low probability of users among the target groups (inactive) to partake in multiple activities that were already available at Wavelengths. A total of 750 new users per year across all three categories is therefore considered to be realistic. Further assurance regarding the risk of double counting is provided through sensitivity analysis of a reduction in the volume of new users (details below).

3.15 Estimates of the number of additional new users by activity category are profiled across a 10-year assessment period, starting from 2024/25 when the proposed facility becomes operational. This length of assessment period is considered to be reasonable for an intervention of this type.

3.16 **Wider land value uplift** (WLVU) has been calculated at a programme-wide level for Nelson, with 11.2% of the uplift attributed to the Healthy Town project based on the proportion of the project's Town Deal funding ask.

3.17 The attribution of WLVU impacts to this project is justified on the basis that it would make contributions – as part of a package of wider Towns Fund initiatives – to increasing town centre footfall, improved amenity value and improved perceptions of the town among visitors and residents. As such, WLVU is quantified on the future benefits accruing to owners of residential and commercial property within Nelson as a result of the wider interventions. While the appraiser broadly agrees with this approach in principle, it is helpful that the applicant includes a sensitivity test to remove the effects of residential WLVU.

3.18 The identified project benefits associated with participation in sport and wider land value uplift are consistent with Green Book and Towns Fund guidance.

3.19 The business case includes a series of wider, non-monetised benefits, including improved health outcomes for residents, cost savings to the NHS, direct willingness to pay for improved parks amenity and volunteering. Where relevant, appropriate commentary is provided as to why these benefits have not been monetised within the economic appraisal, citing baseline data limitations (direct willingness to pay for improved parks) and issues in disaggregating second order from benefits captured in the core assessment (improved health outcomes).

3.20 The wider, non-monetised benefits are relevant and reinforce the case for investment.

Assumptions Applied

3.21 The following overarching assumptions have been applied by the applicant in relations to project benefits:

- **Assessment period:** assessment includes a 10-year appraisal period from the point of project delivery (2024/25)
- **Discounting:** a 3.5% per annum social discount rate, in line with HM Treasury guidelines
- **Current prices:** all monetised benefits are converted to 2021 prices

3.22 For benefits associated with **participation in sport**, an additionality rate of 15% is applied. This consists of an assumption for leakage at 50% applied to net new users of the proposed Wavelengths facilities to account for significant usage of the facilities from users coming from outside Nelson. A further deadweight/displacement allowance of 67.2% is also applied, supported by Sport England data (Active Lives Survey) indicating that 32.8% of Pendle residents were considered to be inactive (less than 30 minutes of physical activity per week). The combination of these two adjustments leads to an additionality rate of 16.4% which is rounded down to 15%.

3.23 For **Wider Land Value Uplift** this is quantified at the programme level with 11.2% of the benefit attributed to the project (reflecting the proportionate share of the overall Town Fund ask).

3.24 For residential WLVU this is calculated by multiplying the residential units registered with the Valuation Office Agency for Council Tax within 10 Lower Super Output Areas comprising the town of Nelson by the weighted average house price in that area (£71,512). Assuming an annualised growth rate of 1%, displacement of 50% and benefit persistence of 5 years from 2025.

3.25 For commercial WLVU this calculated by multiplying the commercial units registered by the Valuation Office Agency within 10 Lower Super Output Areas comprising the town of Nelson by the weighted average commercial unit prices in that area (£110/sqm and a capital yield of 8%).

Summary of Project Benefits

3.26 The table below summaries the net present value project benefits for Option 4 (preferred option). These are presented net of deadweight (the reference case). These have been subject to adjustments made by the appraiser to reflect minor differences in the calculations of subjective wellbeing benefits relating to sport participation.

Project benefit	Option 4 (Preferred Option)	Revised by appraiser
Participation in sport (wellbeing impact)	£3.66m	£3.49m
Wider land value uplift		
WLVU - residential	£1.00m	£1.00m
WLVU - commercial	£1.54m	£1.54m
Total	£6.19m	£6.03m

Forecast Return on Investment

3.27 The forecast return on investment identified a Benefit-Cost Ratio (BCR) of 1.8 for Option 4 (preferred option). Following minor adjustments to the calculation of benefits made by the appraiser the BCR has been revised down marginally to 1.7. This demonstrates that the preferred option delivers 'medium' value for money according to HM Treasury Guidance.

	Option 4 (Preferred Option)	Revised by appraiser
Economic benefits		
	£3.66m	£3.49m
	£1.00m	£1.00m
	£1.54m	£1.54m
(A) Total economic benefits	£6.19m	£6.03m
Economic costs		
(B) Towns Fund cost/funding	£2.61m	£2.61m
(C) Co-funding	£0.84m	£0.84m
(D) Total public sector funding	£3.46m	£3.46m
(E) Private sector funding	£0.00m	£0.00m
(D)+(E) Total economic costs	£3.46m	£3.46m
(A)-(E) / (D) BCR	1.8	1.7

Risk and Sensitivity Analysis

3.28 As referenced earlier under 'Project Benefits', the applicant has undertaken a series of high-level sensitivity analyses on the BCR. Three scenarios have been tested:

- **Removal of residential WLVU** to mitigate the risk of double counting subjective wellbeing effects. This reduces the net present value of total benefits by £1.0m therefore reducing the BCR to **1.5**.
- **Reduction in the volume of new users** at Pendle Wavelengths by 50% to consider the possibility that new users may increase their intensity of use of the facilities to effectively twice, rather than once, per week. This reduces the net present value of additional wellbeing gain to £1.7m therefore reducing the BCR to **1.2**.

- A third sensitivity tests the impact of **including the residual value of the Wavelengths extension** which increases the BCR to **2.0**.

This analysis indicates that all scenarios can offer an appropriate return on investment and that, overall, the project can withstand major reductions to core input assumptions whilst still offering value for money.

4 Financial Case

Key Points

- Towns Fund monies of **£2,321,149** has been requested towards a project cost of **£3,084,955**.
- Match funding of £250,000 (Nelson Town Council) and a further £2,500 (Pendle Borough Council Environmental Services) has been confirmed.
- The balance of funding (£511,306) is not yet confirmed; however, a clear strategy for the securing of a Sport England grant allocation is set out.
- Inflation is accounted for in the Wavelengths project cost plan at a rate of 3%. It is unclear how inflation has been treated in relation to the Parks project element.
- Greater cost certainty is attached to the Parks project element with fixed prices already secured for many cost items and with considerable scope for design variations and value engineering to mitigate cost overruns.
- A procurement route towards achieving cost certainty for the Wavelengths element is set out.

Recommendation:

The case is suitable for investment subject to the following specific conditions being met:

- The applicant should provide detail on the approach to inflation in respect of costs for the Parks project element.
- The applicant should provide an update to the Town Fund Board concerning the status of Wavelengths design work and the subsequent procurement process in order to achieve cost certainty (to minimise inflationary risk).
- The implications of cost inflation and cost overruns should be carefully monitored over the coming months, so that suitable mitigations can be identified at the earliest opportunity
- If there is the potential for inflationary pressures or other risks to result in a reduction of the scope of what is affordable and deliverable for the Wavelengths element, a clear process by which amendments to the scope of work will be agreed with PBC and the Town Board should be agreed ahead of confirming a funding agreement.
- The applicant should provide an update to the Town Fund Board concerning the implications and potential fallback position in the event that a grant allocation from Sport England is not secured.

4.1 Review of the financial case has considered the clarity of costs, certainty of the remainder of the funding and the ability of the scheme to be sustainable beyond Town Deal support.

Project Cost Breakdown

4.2 The project has a total cost of £3,084,955 (excluding VAT), comprising Wavelengths (£2,242,455) and Parks (£842,500) project elements. The project is to be 100% capital funded with no additional long-term revenue expenditure identified. Detailed costings are provided in accompanying Appendices C2 (Wavelengths) and D (Parks).

Project Cost Assumptions

4.3 Costs have been determined separately for the parks and Wavelengths elements. In relation to parks interventions, these costs have been prepared on the basis of actual tendered prices (i.e. fixed costs) and those subject to tender. In response to clarifications, the applicant has advised that playgrounds, street furniture, gym (Walverden Park), interpretation and shelter replacement (Marsden Park) will be fixed costs with the remaining costs to be tendered. These costs do not include a contingency allowance, however, the applicant has indicated that all elements of the parks costing are scalable and can be subject to value engineering (whilst maintaining broadly the same strategic outcomes). It is unclear how inflation has been treated in relation to parks interventions and should be confirmed by the applicant.

4.4 In relation to the Wavelengths extension capital works, these costs have been based on a cost plan prepared by Alliance Leisure (Appendix C2). Further costs have been provided relating to a car parking extension which maybe a planning requirement of the extension works. These cost plans all include allowances for contractor preliminaries, overheads, profit, design and contingency. Contingency of 5% of construction costs has been included for the main construction works (extension). Contractor design and risk contingency of 15% of car parking costs has been included for the external works. An allowance for inflation is included at 3% in the Wavelengths cost plan.

4.5 Through the appraisal process further clarification was sought regarding the treatment of inflation, which is identified as a primary financial risk given current high rates of inflation. In response, the applicant has included a section on the management of financial risks which details the approach to inflation. With respect to the parks element, inflationary risk will be mitigated based on the potential for value engineering and design variations. Specific examples of the type of variations that could be deployed are set out in the business case. The extent of any design variations necessary to mitigate inflationary pressures should be closely monitored to ensure that the outputs continue to meet strategic objectives. It will be important to ensure that there are opportunities for the Town Board to review any amendments to ensure that project outputs are not impacted and to agree a clear process for agreeing changes, particularly where they may have an impact on the delivery of project outputs.

4.6 In relation to the Wavelengths costs, the applicant confirmed that the risk of cost overruns cannot be as readily managed through value engineering without removing key elements that would risk undermining strategic objectives / outcomes. A strategy for mitigating this risk is proposed by the applicant based on the early transfer of risk from the Council to Alliance Leisure Services through a fixed contract sum, thereby minimising the exposure to further cost inflation. Alliance Leisure Services' approach to securing cost certainty is outlined within Appendix C6 and it is understood that more detailed design work required to reach cost certainty is programmed for Q3 2022. The applicant should provide an update to the Town Fund Board concerning the status of design work and subsequent procurement in order to achieve cost certainty as early as possible.

Funding Sources and Certainty

4.7 A Town Deal contribution of £2,321,149 is requested towards the cost of the Preferred Option. This represents 75% of the total cost of works. The Town Deal funding is forecast to be drawn down in accordance with the annual profile shown in the table below.

21/22	22/23	23/24	24/25	25/26	
Year 1	Year 2	Year 3	Year 4	Year 5	Total
-	592,000	1,249,149	305,000	175,000	£2,321,149

4.8 The applicant has confirmed that match funding has also been secured in the form of:

- Nelson Town Council contribution towards parks improvements of £250,000 (evidence of confirmation included at Appendix N)

- Pendle Borough Council Environmental Services contribution of £2,500 from the Repairs & Maintenance budget

4.9 The remaining funding gap of £511,306 (17% of the total cost of works) is not yet confirmed, although a strategy towards securing a grant allocation from Sport England is outlined. In the form of email correspondence with Sport England the applicant has demonstrated that discussions are ongoing and that securing a grant allocation will be achievable, subject to the forthcoming release of a Strategic Outcomes Planning Model report. The report was commissioned jointly by the Council and Pendle Leisure Trust and funded by Sport England. It is expected to outline intervention recommendations that respond to local need with a focus on encouraging under-represented and inactive communities to become more active. Whilst there is likely to be strong strategic alignment with project objectives, this remains a significant project risk and threat to deliverability in the event that an alternative source of gap funding is unavailable. The appraiser is unable to comment on the possible implications for the project were this not to be secured. The applicant should therefore provide an update to the Town Fund Board concerning the implications and fallback position ahead of any Board decision to proceed.

5 Commercial Case

Key Points

- Planning permission is required for the Wavelengths extension and not yet been secured. Early engagement with the Local Planning Authority has taken place and the principle of what is being proposed is in general conformity with the Local Plan. The provision of additional car parking will be a consideration of any planning approval, and this has already been accounted for within the latest cost plans.
- Planning permission is not required for the Parks project element.
- Procurement of a development partner for the Wavelengths project element will be achieved via the UK Leisure Framework. Alliance Leisure Services will be directly appointed via a call off development management agreement once scheme design is progressed to a point where cost certainty is possible.
- Procurement of suppliers to deliver the parks element of the project will be undertaken through PBC's existing procurement routes.
- The scheme responds to existing evidence of local challenges relating to physical inactivity, particularly among certain target groups. The applicant sets out how new and existing measures will be used to improve and sustain participation among target groups.
- Subsidy control advice has been provided to PBC and is currently under review. It should be confirmed that the project is subsidy control compliant prior to funding agreements being signed.

Recommendation:

The case is suitable for investment subject to the following specific conditions being met:

- The position in relation to Subsidy Control is confirmed by PBC.

5.1 Review of the commercial case has considered readiness to proceed from a permissions perspective, the appropriateness of procurement arrangements, compliance with subsidy control and how the scheme responds to market demand.

Required Permissions

5.2 No planning consent is required for parks interventions proposed.

5.3 Planning consent will be required for the extension to the Wavelengths facility. Correspondence with PBC (Appendix P) indicates that early engagement has taken place with the local planning authority. Likely planning considerations relating to additional car parking to accommodate the extension are already known (and costed) and there is in principle acknowledgement that the proposals are likely to be compliant with the Local Plan. As such, any planning risk to this project element is likely to be low.

Procurement and Contractual Arrangements

5.4 The applicant's procurement strategy for the Wavelengths project element hinges on the direct appointment of a development partner through the UK Leisure Framework (UKLF). UKLF is a framework available to all public sector organisations. After an OJEU-compliant competitive tendering process, Alliance Leisure Services (ALS) were appointed as lead development partner of the UKLF, which allows for the direct appointment of ALS as a development partner for the scoping, design, refurbishment,

construction and the development of sport, leisure, and other cultural facilities across the UK public sector (further details set out at Appendix C6).

5.5 It is understood that this direct appointment will be secured through the framework as soon as possible, once scheme design is developed to a point that will allow cost certainty, to transfer risk to the development partner at the earliest opportunity. Once the scheme is at a cost certainty stage, ALS will then enter into a call-off Delivery Management Agreement with PBC to deliver the project. Work is currently ongoing to progress the scheme design and to provide further confidence in the capital budget required.

5.6 A fee will be charged to PBC to access the UKLF, payable at the point of securing a Development Management Agreement. The applicant has confirmed that this fee has already been incorporated into the existing cost plan.

5.7 The procurement strategy for the Parks element will be conducted in accordance with PBC's existing procurement routes and therefore present a low risk to the project. It is understood that quotes have already been received from suppliers for playground equipment. It is understood that PBC has experience of procuring similar playground equipment and has knowledge of the market place.

5.8 The applicant has confirmed that the management of supplier relationships that will be established through the parks procurement process will be undertaken by PBC officers in Environmental Services alongside their normal activities. No additional resource is therefore required.

5.9 In relation to contractual arrangements, Pendle Leisure Trust currently lease the Wavelengths building from PBC who also own the land that will house the proposed extension and car parking area. PBC and Pendle Leisure Trust have a contract covering the provision of leisure services running to 2028 meaning that this arrangement will be maintained beyond the intervention period although some minor lease alterations will be required to account for the extension to the Wavelengths building.

5.10 The ownership of parks and playgrounds in Nelson is gradually being transferred from PBC's ownership to Town and Parish Council ownership, with these organisations then forming a contractual arrangement with PBC to maintain them on its behalf. The applicant states that Nelson Town Council (NTC) is anticipated to increase its regular maintenance contributions over the course of the Town Deal funding period and will eventually look to take ownership of the asset. This commitment has not been confirmed yet, however, the applicant notes that NTC's co-funding contribution (£250,000) represents a significant commitment to the Parks project element. In the event that a transfer is not mutually agreed, PBC will retain all management and maintenance liabilities as they do currently.

Market Demand

5.11 The applicant provides a commentary of the commercial viability of the Wavelengths extension with reference to an assessment of demand undertaken by Strategic Leisure Limited (set out at Appendix C4). This responds to existing low levels of physical activity, particularly among a series of target demographics. Measures to improve and sustain participation such as ongoing engagement and promotion of existing concessionary pricing strategies aimed at particular groups (e.g. Get Active Pass Scheme for the unemployed, those on low incomes and the disabled) are set out.

Subsidy Control

Subsidy control advice has been provided to PBC and is currently under review. It should be confirmed that the project is subsidy control compliant prior to funding agreements being signed.

6 Management Case

Key Points

- Clear project management arrangements – including named organisations and team members – have been identified to deliver the project.
- Key project milestones are set out.
- An appropriate risk assessment has been prepared to allow key project risks to remain under review.
- Project dependencies are identified, including the securing of planning permission for the Wavelengths extension, procurement and co-funding confirmations. For the Parks project element, the key dependency relates to potential scheme design amendments following stakeholder consultation to conclude in August 2022.
- The potential for project dependencies to cause programme delay should be considered and the Town Deal board should ensure that appropriate arrangements are in place to manage potential programme delay.
- Monitoring and evaluation proposals are in place.

Recommendation:

- The case as set out is suitable for investment.

Project Management Arrangements and Capacity

6.1 Pendle Borough Council (PBC) is identified as the accountable body for implementing the Town Deal investment. The project governance structure is clearly set out in an organogram which identifies key partners, named individuals and their roles and responsibilities.

6.2 The Senior Responsible Officer (SRO) for the project is identified and is the Chief Executive Officer of Pendle Leisure Trust. The SRO will be supported by project managers from Pendle Leisure Trust (Wavelengths) and PBC Environmental Services (Parks) with responsibility for individual project elements and who have experience of delivering similar new build and refurbishment projects in the local area.

6.3 Following clarifications, the applicant has indicated that a Memorandum of Understanding (MoU) will be developed to manage the roles and responsibilities of the members of the project delivery group.

6.4 The applicant sets out considerable experience of delivering similar projects within the project delivery group indicating their capability and capacity to deliver the proposed interventions. Details provided indicate how Pendle Leisure Trust has successfully managed a series of capital projects of a similar nature and scale to the Wavelengths proposals in the past. On the operational side, Pendle Leisure Trust is expected to be able to accommodate the proposed improvement in range of services and greater volume of service users through its existing operational management structures.

6.5 Similarly, the applicant has demonstrated PBC Environmental Services' track record in delivering interventions of a similar scale and nature to the proposed park improvements and assurance is provided that ongoing responsibilities for maintenance will follow existing established arrangements.

Project Dependencies

6.6 In relation to the Wavelengths extension project element, the key dependencies have largely been acknowledged – with appropriate strategies to mitigate them – within the Commercial and Financial Cases. These include:

- **The securing of planning approval** – as detailed in the Commercial Case engagement with the local planning authority has provided in principle assurance that the proposals are likely to be compliant with planning policy.
- **Procurement of a development partner** – a clear process towards the direct appointment of Alliance Leisure Services via the existing UKLF agreement is set out in the Commercial Case.
- **The securing of co-funding** – as detailed in the Financial Case co-funding will be sought in the form of a Sport England grant to bridge the remaining funding gap (£511,306).

6.7 A further Wavelengths dependency relates to the potential for disruption to the existing operations of the facility during the course of construction works. Following clarifications, the applicant has outlined how disruption will be minimised, drawing upon Pendle Leisure Trust's past experience of delivering other extension works whilst maintaining continuity of operations.

6.8 In relation to the Parks project element, the key dependencies relate to funding approval (as above for Wavelengths) and consultation on final design choices. In respect of the latter, clarifications have set out the proposed approach, scope and timescales for public consultation. The applicant has outlined how the tightly defined scope of design consultation options will mean that any design amendments following the consultation will be made quickly and therefore minimise the risk of significant project delay.

Delivery Programme

6.9 A delivery plan has been prepared by Alliance Leisure Services and included at Appendix C3. Clear project milestones are set out and are summarised in the table below.

Milestone	End Date
Wavelengths	
Design	02/11/2022
RIBA 2/3 & planning	10/08/2022
Planning determination	02/11/2022
RIBA 4	05/10/2022
Construction	05/07/2023
Lead in period	07/12/2022
On site works	05/07/2023
Parks	
Parks consultations	August 2022
Marsden park: Playground improvements; tennis court resurfacing and fencing; upgraded bins and benches	2022/23
Walverden park: Fitness gym; upgraded bins and benches; hedging; Senior playground improvements	2022/23
Victoria park: pathway improvements; new entrance; bridge works; upgraded bins and benches; replacement shelter	2022/23
Marsden park: Pathway improvements	2023/24
Walverden park: Junior playground improvements	2023/24
Victoria park: Junior cycleway; drainage; subway improvements	2023/24
Marsden park: BMX/Mountain bike trails	2024/25

Milestone	End Date
Walverden park: Pathway improvements	2024/25
Victoria park: Playground improvements	2024/25

6.10 Wavelengths design work is expected to reach RIBA stage 2/3 work in August 2022 to facilitate a planning submission. Planning determination is expected by early November 2022 and design work is expected to progress in advance of the determination to reach RIBA stage 4 in October 2022.

6.11 For the Parks project element, improvements are expected to be delivered incrementally over the funding period with final elements to be completed during 2024/25.

6.12 Some of the key project dependencies (highlighted above) have the potential to cause delay to project delivery programme, although, as identified in the Financial Case, the implications of failing to secure Sport England gap funding are not currently known. Under this eventuality the delivery programme implications should be communicated to the Town Deal board at the earliest opportunity.

Risk Management

6.13 A risk register is included in the business case submission which identifies appropriate risk mitigation strategies, the risk owner and risk status. Risk likelihood and impact are classified on a scale of 1 (lowest likelihood/impact) to 5 (highest likelihood/impact).

6.14 The applicant has identified a leading risk in relation to the high likelihood of construction price increases (risk likelihood score = 4). Risk mitigation strategies are set out and have been detailed already in relation to the procurement strategy and transfer of risk to Alliance Leisure Services within early stages of the Wavelengths project. Value engineering / design variations solutions are more readily implementable for the Parks project element to mitigate against cost overruns.

6.15 The remaining risks are classified as low likelihood (score = 1).

Monitoring and Evaluation

6.16 A benefits realisation plan has been developed to set out the expected benefits of the Project and the way in which these benefits will be planned for, tracked by the responsible owner, and realised through scheme implementation. The Monitoring & Evaluation Plan describes the data that will be collected to check progress in delivering the scheme's benefits, and how it will be assessed to show that the projects have fully delivered the anticipated benefits.

7 Conclusions and Recommendations

Conclusions

Strategic Case

The case set out is suitable for investment.

7.1 The strategic case presents a strong basis for investment. The project is aligned with local policy objectives and supports objectives outlined in the Nelson Town Investment Plan. The business case demonstrates poor health outcomes in Nelson and evidence of substandard green infrastructure and poor perceptions of the town locally. Stakeholder engagement has been used to demonstrate demand for the proposals and to identify priority groups that the interventions will target. The business case articulates the potential outcomes of improving the leisure facilities and infrastructure amongst specific groups and the wider opportunities for the town of Nelson.

Economic Case

The case set out is suitable for investment.

7.2 Appropriate benefits were identified to reflect the nature of activities proposed and the purpose of interventions. Option 4 (Preferred Option) delivers a benefit cost ratio of 1.7 and sensitivity testing shows that significant changes to core input assumptions would continue to offer a positive return on investment.

Financial Case

The case is suitable for investment subject to specific conditions being met.

7.3 Towns Fund monies of £2,321,149 has been requested towards a project cost of £3,084,955. Match funding of £250,000 (Nelson Town Council) and a further £2500 (Pendle Borough Council Environmental Services) has been confirmed. The balance of funding (£511,306) is not yet confirmed; however, a strategy for the securing of a Sport England grant allocation is set out.

7.4 Inflation is accounted for in the Wavelengths project cost plan at a rate of 3%.

7.5 It is unclear how inflation has been treated in relation to the Parks project element. However, greater cost certainty is attached to the Parks project element with fixed prices already secured for many cost items and with considerable scope for design variations and value engineering to mitigate cost overruns. A procurement route towards achieving cost certainty for the Wavelengths element is set out.

Commercial Case

The case is suitable for investment subject to specific conditions being met.

7.6 Planning permission is required for the Wavelengths extension and not yet been secured. Early engagement with the Local Planning Authority has taken place and the principle of what is being proposed is in general conformity with the Local Plan. The provision of additional car parking will be a consideration of any planning approval, and this has already been accounted for within the latest cost plans. Planning permission is not required for the Parks project element.

7.7 Procurement of a development partner for the Wavelengths project element will be achieved via the UK Leisure Framework. Alliance Leisure Services will be directly appointed via a call off development management agreement once scheme design is progressed to a point where cost certainty is possible.

Procurement of suppliers to deliver the parks element of the project will be undertaken through PBC's existing procurement routes.

7.8 The scheme responds to existing evidence of local challenges relating to physical inactivity, particularly among certain target groups. The applicant sets out how new and existing measures will be used to improve and sustain participation among target groups.

7.9 Subsidy control advice has been provided to PBC and is currently under review. It should be confirmed that the project is subsidy control compliant prior to funding agreements being signed.

Management Case

The case set out is suitable for investment.

7.10 Clear project management arrangements – including named organisations and team members – have been identified to deliver the project. Key project milestones are set out.

7.11 An appropriate risk assessment has been prepared to allow key project risks to remain under review. Project dependencies are identified, including the securing of planning permission for the Wavelengths extension, procurement and co-funding confirmations. For the Parks project element, the key dependency relates to potential scheme design amendments following stakeholder consultation to conclude in August 2022.

7.12 Monitoring and evaluation proposals are in place.

Recommendation

The Healthy Town project is recommended for approval for a Town Deal allocation of £2,321,149, subject to the following conditions:

- The applicant should provide detail on the approach to inflation in respect of costs for the Parks project element.
- The applicant should provide an update to the Town Fund Board concerning the status of Wavelengths design work and the subsequent procurement process in order to achieve cost certainty (to minimise inflationary risk).
- The implications of cost inflation and cost overruns should be carefully monitored over the coming months, so that suitable mitigations can be identified at the earliest opportunity
- If there is the potential for inflationary pressures or other risks to result in a reduction of the scope of what is affordable and deliverable for the Wavelengths element, a clear process by which amendments to the scope of work will be agreed with PBC and the Town Board should be agreed ahead of confirming a funding agreement.
- The applicant should provide an update to the Town Fund Board concerning the implications and potential fallback position in the event that a grant allocation from Sport England is not secured.
- The position in relation to Subsidy Control is confirmed by PBC.