

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2910

Crystal Palace National Sports Centre refurbishment and operator contract

Executive summary

GLA Land and Property Limited (GLAP) took ownership of Crystal Palace National Sports Centre (CPNSC) in April 2012. In recent years considerable work has been undertaken to assess investment and maintenance options for the CPNSC estate due to decades of minimal maintenance and limited investment.

This decision seeks approval to undertake a comprehensive capital improvement programme to consolidate, intensify and upgrade the CPNSC to reduce GLAP's existing ongoing subsidy and reactive capital maintenance expenditure and deliver positive sporting, community, health and wellbeing outcomes for Londoners. This decision also seeks approval to vary the operator contract to provide a viable operator model for the CPNSC during the post-COVID-19 recovery period and approval to trigger the option to extend the contract to March 2023.

Decision:

That the Mayor:

- i. approves expenditure outlined in Part 2 of this decision to facilitate the comprehensive refurbishment of the CPNSC
- ii. approves the option to trigger an extension to the current operator contract with Greenwich Leisure Limited (GLL) to March 2023
- iii. approves a variation to the current operator contract to reflect an open-book approach and cover any losses for the remaining term of the contract and provide a retrospective approval for the expenditure under the open-book approach from April 2020 to the present day
- iv. delegates authority to the Executive Director of Housing and Land without the need for a further decision form to:
 - approve the appointment of professional consultants, contractors or other service providers and enter any relevant contracts pursuant to the refurbishment of the CPNSC
 - allocate and direct all expenditure within the approved budget throughout the life of the delivery programme for the CPNSC
 - approve the terms of any planning and other necessary or related agreements required to apply for and implement the planning permission related to the CPNSC and to sign such agreements on behalf of GLAP (or the GLA)
 - approve any payments to GLL to cover its losses required under the revised open-book contracting approach that are within existing approved budgets.
- v. delegates authority to the Executive Director of Resources without the need for a further decision form to:
 - approve changes to the current land ownership of and/or the contractual structure relating to CPNSC (including but not limited to the operator agreement between GLAP and GLL).

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

16/2/21

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 Constructed in 1964, the CPNSC was one of five national sports centres run on behalf of Sport England. Ownership of the CPNSC was transferred from Sport England to the London Development Agency in 2006 and then to GLA Land and Property Limited (GLAP) in April 2012. GLAP's ownership liability for the CPNSC is governed by a 125-year lease, let to it by London Borough of Bromley, the current freeholder of the estate.
- 1.2 The CPNSC sits in the middle of Crystal Palace Park, located in the London Borough of Bromley, immediately to the north-east of Upper Norwood. The park borders the London boroughs of Southwark, Lambeth, Croydon, and Lewisham.
- 1.3 The CPNSC is a large multi-use sports centre and athletics stadium, comprising the Grade II* National Recreation Centre, the stadium, supporting ancillary accommodation and outdoor sports areas. The centre is currently managed by Greenwich Leisure Limited (GLL) on behalf of GLAP. A GLAP subsidy of circa £1m per annum covers some operational costs of the centre, including utility costs and unrecoverable VAT as well as unexpected maintenance and repair costs.
- 1.4 The Park itself is a Grade II* listed landscape and contains the internationally significant Grade I listed prehistoric animal sculptures, the Crystal Palace Dinosaurs.
- 1.5 The London Borough of Bromley recently brought forward a Regeneration Plan for the park, granting outline planning permission for the scheme in March 2021. The Regeneration Plan aims to deliver community-led aspirations for a restored and vibrant metropolitan park, which is an asset to its surrounding communities and visitors from across the UK.
- 1.6 Since 2017, a considerable amount of work has been undertaken to assess different estate management and investment strategies for the CPNSC. Following decades of minimal maintenance and investment, the 57-year-old buildings have reached the end of their lifecycle and the estate is in critical need of substantial investment to improve the facilities and to reduce GLAP's ongoing subsidy and reactive capital maintenance expenditure.
- 1.7 Without a significant refurbishment, there is considerable risk for the deterioration of the facility to accelerate, making it more difficult to find viable ways to keep the centre open. This is evident in the recent closures of areas of the site, unrelated to the COVID-19 restrictions, where several areas have begun to fail, reach the end of their lifecycle and consequently require significant intervention to remedy.
- 1.8 The 50m swimming and diving pools located in the National Recreation Centre, have been closed since March 2020 and needs critical structural repair work to the observation windows and pool tank. The Lodge accommodation closed in August 2019 due to fire safety concerns. The indoor 5-a-side pitch has closed due to safety concerns with the structure, and water ingress. Buildings which fall into disrepair to the extent that they cannot be used, exponentially deteriorate. Of these, the Lodge, in particular, is a concern as the water storage tanks that serve the whole centre are located on top of it.
- 1.9 In March 2021 approval to extend the current operator contract with GLL for one year (with the option to extend for a further year) was granted under Mayoral Decision (MD) 2746. This MD also approved expenditure of up to £550,000 for critical maintenance over the next two years. The work associated with this sum was identified as 'immediate priority' items through a wider structural survey and conditions assessment and does not include works to the 50m swimming and diving pools. This maintenance and repair work will be carefully planned and undertaken to complement the comprehensive refurbishment of CPNSC.

- 1.10 In November 2020 Continuum Sport & Leisure Ltd with Mott MacDonald produced an Outline Business Case (OBC) for the GLA, which outlined a comprehensive option to upgrade and consolidate the CPNSC. The OBC compared this option with two further options, the first, a patch and repair solution (current approach) and the second, a minimum refurbishment of the facilities. The OBC provided a high-level assessment of the three options over 25 years. Details of each option along with analysis undertaken by GLA officers is outlined below.
- 1.11 As outlined in the Part 2 paper, whether in future the CPNSC will be owned by GLAP or the GLA will be determined in light of updated legal advice. Hence any reference to investment in this asset may refer to GLA or GLAP but should be read as the ultimate owning entity, once future strategy has been clarified. It is intended that the future ownership will be determined by the Executive Director of Resources before the end of this financial year.

Do nothing

- 1.12 The option of doing nothing would see GLAP cease all investment to patch, repair or improve the CPNSC. This is likely to lead to the estate being mothballed. This lack of investment would result in the continued deterioration of the facilities and as it falls into disrepair require gradual decommissioning and closure of the estate to the public on health and safety grounds. Pursuing this approach would see the Mayor, GLA and GLAP suffer significant reputational damage among the local community and other key stakeholders. Furthermore, in its capacity as long leaseholder and to meet the liabilities associated with this responsibility, GLAP would have to put in place an estate management strategy to safeguard the site against issues such as trespassing and vandalism. Given the complex and disparate nature of the facilities forming the CPNSC estate, it is estimated that this approach would cost GLAP up to £1.05m per annum in addition to the costs of decommissioning facilities, plant and equipment as they are mothballed. Alongside this, the benefits to Londoners' health and wellbeing arising from the use of the CPNSC would be lost.

Patch and repair (25 years)

- 1.13 The current approach to managing the CPNSC is one of patch and repair, where the necessary level of maintenance is undertaken as and when required to safeguard building integrity and ensure the safety of staff and the public. The CPNSC currently operates at a loss and requires GLAP subsidy of circa £1m per annum to break even. The capital costs associated with this approach are challenging to predict and cannot be accurately budgeted for.
- 1.14 In 2017 GLAP commissioned property consultant Martin Arnold to produce a detailed 25-year maintenance plan for CPNSC. Following a review of the Martin Arnold maintenance plan to incorporate the current condition of the facilities, it is estimated that over a 25-year period the total cost of the patch and repair option would be £210m, the key assumption being that costs carry an annual inflation rate of 2%. Regarding income, it is assumed that without a comprehensive upgrade to facilities, income would decline by 2% per annum, resulting in total revenue of £60m over 25 years as the facilities become further outdated over time and therefore less attractive for users when compared for example to more modern facilities on offer at the Queen Elizabeth Olympic Park in Stratford. Taken together, the total net cost to GLAP over 25 years would be £150m.

Alternative patch and repair (5 years) – not included in the OBC

- 1.15 Assessment of an alternative patch and repair option, which prioritises the facilities requiring the most urgent need for repair over a 5-year programme of investment has been undertaken by officers. This scenario would involve works to the main indoor building, the athletic track and stand, decommissioning of the lodge, improving the residential cottages and outdoor facilities and grounds. It is assumed that no other works would be required in the time period, but this may prove to not be the case.
- 1.16 The total capital cost of this option is estimated to be £8.71m. The benefit of this option is that the outlay is significantly lower than the other options outlined in this decision. This option defers the need for comprehensive investment to future years. Furthermore, it would not improve the revenue

potential of the centre, meaning the requirement for ongoing GLAP subsidy of circa £1m per annum would be unabated. When added to the total capital investment of £8.71m, over 5 years, the full cost to GLAP would be £13.21m. It is highly likely that further significant works would be required after this period, and possibly within it were other issues to occur.

Minimum refurbishment (25 years)

- 1.17 This option would involve undertaking the minimum amount of essential works required to protect the listed buildings and secure the long-term future of the estate. A minimal refurbishment would not provide a sufficient uplift in activity levels or diversification of the offer to meet the identified needs and would fail to increase revenue generation without an estimated ongoing GLAP subsidy of £0.43m per annum. Estimated at £34m, the level of capital investment required for even a minimal refurbishment would be significant and would not sufficiently improve the operational, maintenance and whole life-cycle costs of the buildings. This option would not deliver the same scale of improved social, community and health and wellbeing outputs as the upgrade and consolidate option below. The total net cost to GLAP over 25 years is estimated to be £117m.

Upgrade and consolidate (25 years)

- 1.18 This option proposes a transformative and holistic refurbishment and redevelopment of the CPNSC site, delivering a significant improvement on the long-term viability of the centre and increasing visitor dwell time, attracting a more varied customer base and a more robust revenue model.
- 1.19 The changes proposed within this option prioritise facilities and activities that will generate the optimum net financial impact based on the initial upfront capital investment outlined in Part 2 and ongoing revenue costs, taking on board the results of stakeholder consultations and market engagement. The upfront capital investment includes allowances for professional fees, asbestos removal, contingency and cost inflation.
- 1.20 The OBC prepared by Continuum Sport & Leisure Ltd and Mott MacDonald concluded that the mix of sport, leisure and ancillary facilities would generate an estimated revenue surplus of up to £0.82m per annum, enabling a more attractive offer to leisure operators, contributing to a more sustainable position for the centre and an option of offsetting investment costs for the GLA.
- 1.21 Given the impact of the COVID-19 pandemic on the leisure industry and the general difficulty of this industry to generate ongoing surpluses, officers deem the Continuum Sport & Leisure Ltd and Mott MacDonald assessment of costs and income for the upgrade and consolidate option to be too optimistic and have stress-tested the OBC assumptions on the following basis:
- due to disruption caused by main works, no income is generated, or usual operational costs incurred during 2022-23 and 2023-24
 - a 2% inflation rate is applied to the total initial investment
 - ongoing operational costs from 2024-25 onwards, carry an annual inflation rate of 2%
 - from 2024-25 onwards, income falls by 2% per annum.
- 1.22 Taking the assumptions above, the total cost incurred by GLAP over 25 years would be £219m and total revenue £134m, meaning the net cost to GLAP would be £85m. As compared to the patch and repair option, over 25 years the estimated costs would be £65m less than would otherwise be the case. Based on the financial modelling which has been undertaken, projected revenues would have to decrease by 10% per annum (scenario 4 below) or costs increase by 7% per annum (scenario 6 below) from 2024-25 onwards to erode the £65m reduction in costs, when compared to the 25 year patch and repair option (which is also subject to cost and revenue uncertainties). The following table provides a summary of the different cost and revenue scenarios that have been modelled by officers for this option. In considering this table it should be emphasised that these are indicative forecasts which should be treated with caution.

Scenarios	Total Cost	Total Income	Net cost to GLAP over 25 years
Baseline: Stagnant income and 2% ongoing cost inflation pa	£219m	£164m	£55m
Scenario 1: -1% income pa and ongoing 2% cost inflation pa	£219m	£148m	£71m
Scenario 2: -2% income pa and 2% cost inflation pa	£219m	£150m	£85m
Scenario 3: -5% income pa and 2% cost inflation pa	£219m	£102m	£117m
Scenario 4: -10% income pa and 2% cost inflation pa	£219m	£69m	£150m
Scenario 5: Stagnant income and 5% cost inflation pa	£284m	£164m	£120m
Scenario 6: Stagnant income and 7% cost inflation pa	£344m	£164m	£180m
Scenario 7: Stagnant income and 10% cost inflation pa	£473m	£164m	£309m

Summary

- 1.23 Based on the options outlined above, it is recommended that the upgrade and consolidate option is pursued as based on the analysis undertaken and mindful of the assumptions made about forecasts, it is deemed to deliver the best value for money for the public purse over 25 years. A 25-year patch and repair investment strategy for CPNSC would deliver poor value for money for the public purse, especially when compared to a comprehensive programme of investment. However, given the uncertainties within the leisure industry caused by the COVID-19 pandemic and the general difficulty of this industry to generate ongoing surpluses, the annual revenue levels assumed by Continuum Sport & Leisure Ltd for the upgrade and consolidate option cannot be wholly relied upon. Further external advice to verify the revenue assumptions could be sought, but this would come at significant cost and would lead to further delay in selecting a preferred investment option while the pools remain closed and facilities continue to deteriorate.
- 1.24 While there is a relatively high degree of confidence in the costs associated with each of the options outlined, the estimated investment for the preferred option will be subject to procurement of contractors and external advisers to deliver the project. The revenue projections associated with this option are deemed to be optimistic, given the impact that the COVID-19 pandemic has had on the leisure industry and the general difficulty it has in generating ongoing surpluses. However, planned investment of this scale is likely to attract greater interest from the leisure operator market and in turn may improve the commercial prospects of the estate. Notwithstanding, this prospect, officers are of the view that some level of ongoing GLAP subsidy will be needed to ensure that the CPNSC break even. Key project risks and issues are outlined in section four of this decision.
- 1.25 At a cost of £34m, the minimum refurbishment option is deemed to be suboptimal and poor value for money when compared to the upgrade and consolidate option. It also compares less favourably to the 5-year patch and repair option when considering how long it would take for the works to enable the 50m swimming and diving pools in the main building and other works across the estate to be undertaken. The main drawback of the 5-year patch and repair option is that it is a short-term solution, which simply pushes back comprehensive investment (and the potential of improved revenues) to future years and does not address all potential future risks to the CPNSC's operation.

- 1.26 Given the improvements proposed, the upgrade and consolidate option is the one most closely aligned with the Mayor's strategy for sport – Sport for All of Us, which supports his long-term vision to make London the most active and socially integrated city in the world.
- 1.27 Options to demolish and pursue alternative uses for the CPNSC, such as mixed use commercial and/or residential-led development have been considered and discounted on the basis that it is incompatible with the current regeneration plans for Crystal Palace Park, does not align with the local community's aspiration for the estate and would result in the loss of a listed building.

Expenditure profile

- 1.28 It is anticipated that expenditure of up to £250k could be incurred by March 2022 during the early stages of the project to fund the detailed design process and preparation of necessary planning and other applications. All steps will be taken to progress works where consents are not required but beyond March 2022, the expenditure profile for the project is largely dependent on planning consent being attained as programmed and the ensuing contractor procurement process.

Operator contract

- 1.29 The operator contract extension with GLL sought under MD2746 was limited to one year, with the option to extend for one further year.
- 1.30 Within the proposed extension period, specialist consultant, Max Associates, will assess the current appetite and market engagement for a full procurement of the operational contract at CPNSC. The soft market testing exercise will factor in the investment, which is the subject of this Mayoral Decision and consider if taking on operation of CPNSC during construction is feasible and will obtain best value.
- 1.31 Due regard will be given to the potential integration of the operator procurement with the London Legacy Development Corporation (LLDC) estates review and initial discussions to explore the prospect of including the CPNSC contract with LLDC's operational requirements have commenced. From these initial discussions, the biggest barrier to an integrated approach is the geographic disparity between the CPNSC and the Olympic Park, which makes it unlikely that a single procurement solution would achieve the economies of scale necessary to generate sufficient market interest.
- 1.32 The impact of COVID-19 on the leisure market has been considerable. Operators are very much in recovery mode at present, with little appetite for taking on commercial risk. The capital investment approved under this Mayoral Decision and the redevelopment timetable will be clearly outlined in the procurement documentation to ensure that any operator tenders received are fully informed.

Support payment made to the operations of the CPNSC & open-book approach

- 1.33 As the COVID-19 pandemic affected the country in the early part of 2020, the government made the decision to close large parts of the economy. The leisure sector was severely affected, and the CPNSC was forced to close. This resulted in a significant loss of revenue, which meant that GLL required financial support from GLAP to ensure that the CPNSC could be maintained, secured and remain compliant with health and safety requirements in order to reopen when able to do so.
- 1.34 Government guidance issued during the pandemic (see Appendix C) advised local councils and operators to implement operating models that would safeguard facilities such as the CPNSC for the long term. Following discussions with GLL, an open-book approach was agreed with them to ensure the centre could continue to operate and be maintained during a very difficult period.
- 1.35 The open-book approach sets out CPNSC's full income details, together with the expenditure and resulting deficit that needed to be covered. Full transparency was provided by GLL with detailed breakdowns of each of the areas for which figures were provided. Further details are provided in Part 2.

- 1.36 Whilst some costs reduced during the closure, e.g. staff costs that were covered by the government's furlough scheme, other costs – such as day-to-day maintenance, security and statutory health and safety measures – still had to be met in full. The dramatic reduction in income meant there were insufficient funds to meet the basic maintenance costs of the CPNSC. Once the CPNSC was able to reopen, only certain areas could be used, availability times were restricted to facilitate an enhanced cleaning regime and user numbers were limited due to social distancing.
- 1.37 Since April 2020, GLAP has provided additional financial support to the operation of the CPNSC due to the impact of the COVID-19 pandemic. The closure of CPNSC and dramatic reduction in revenue made the continued operation of the CPNSC by the operator unfeasible without this support. As at 30 June 2021 the total sum provided was £446,400. Assuming no further enforced lockdowns, GLL's current projections to March 2023 do not indicate that they will need any additional financial support from GLAP, beyond the sum already provided.
- 1.38 The period of funding from April 2020 to June 2021 was only seen as temporary, and financial approval for the accounting process was obtained for the provision of these funds to GLL. Savings elsewhere within the CPNSC budget facilitated the absorption of the forward funding within existing budget limits. Furthermore, the short-term arrangement that was put in place was in line with government guidance issued at the time. Urgent forward funding of these sums was required to safeguard the operations of the CPNSC. Retrospective approval is now being sought as part of the variation of the current contract to an open-book approach with GLL.
- 1.39 Due to the ongoing impact referred to above, and the financial risk for GLL to extend the contract on the original terms further, this decision seeks approval to vary the CPNSC operator contract to continue the open-book approach until the end of the contract term (31 March 2023). This approach will allow the centre to remain open and operational and enable GLL to remain in place until March 2023 while a procurement approach for CPNSC is developed and progressed. The alternative to this approach would be to remain on the current terms but they are no longer acceptable to GLL and if retained could result in GLL's exit and therefore closure of CPNSC while another operator is sought.
- 1.40 The agreement that has been reached avoids this scenario whilst allowing a more favourable position for GLAP in relation to GLL's operating margin being reduced and the percentage of surplus returned to GLAP increased. Whilst GLAP's overall expenditure would not be completely removed by this arrangement, it would result in a slight reduction based on the assumption that the CPNSC does not return to an enhanced deficit position resulting from any future enforced lockdowns.
- 1.41 This decision also seeks the approval for the delegation to the Executive Director of Housing & Land to consider, and if considered appropriate approve, any claim from GLL for deficit sums payable to them under an open-book approach, that are within approved budgets.
- 1.42 Please see Part 2 for further information on the financial implications of the open-book approach.

Stakeholder engagement and external funding

- 1.43 The project is driven by local aspirations, captured, and articulated through a programme of community and stakeholder engagement undertaken over the last decade. These have shaped the regeneration vision for the CPNSC, which has taken account of a range of views from user groups, sporting bodies, heritage and other amenity groups, local boroughs, and organisations, including schools and clubs as well as the wider public. This has set the path for the vision of the CPNSC to revolve around delivering a revitalised, fit-for-purpose community asset that will be accessible to all Londoners, offering a wide range of activities for competitive and casual users alike.
- 1.44 To date engagement with National and Regional Governing Bodies including Sports England, Swim England, London Sport and Swim London, and organisations including clubs has captured insight on sporting need and demand. Funding options have also been pursued with these entities but with the challenging funding climate, further constrained by the COVID-19 pandemic and associated

economic impact, none of these organisations are in a position to contribute any meaningful funding towards the CPNSC at this stage.

- 1.45 Steps will be taken to continue to engage these organisations alongside others such as the Heritage Lottery Fund, Big Lottery Fund and London Marathon Charitable Trust to identify further opportunities for funding toward the cost of the refurbishment, and to gain their input as we seek to minimise the inevitable periods of partial closure and disruption associated with this project. Additional routes for investment will also be reviewed as part of this project.

2. Objectives and outcomes

- 2.1 The principal objective of this project is to address the critical liability and potential ongoing subsidy of the CPNSC for GLAP. This operational objective has underpinned the work done to date, and has formed the basis of options appraisals, business planning and development of the upgrade and consolidate option.
- 2.2 Alongside the operational objective, strategic objectives have been developed in consultation with stakeholders and the local community and on the basis that if the centre is to be retained, it must meet the needs of both the sporting community and local residents. The strategic objectives are as follows:
- to make the CPNSC a place you want to stay all day, with exciting opportunities and activities for all ages and abilities
 - to increase participation and levels of physical activity for residents of the five boroughs and London by creating pathways into sport
 - to make the CPNSC better connected and accessible to the communities that use and surround it
 - to help the main building work better to provide an accessible and comfortable environment for physical activity, whilst celebrating its modernist architecture
 - to deliver upgraded sports and community facilities, which will encourage participation and increase membership numbers.
- 2.3 Pursuing a comprehensive programme of improvement will provide the opportunity to enable colocation of NHS services such as physiotherapy and mental health services at the CPNSC, together with sporting, wellbeing, and community facilities, in the middle of a public park. This multi-offer of activities will act as a beacon of social provision locally, and help to combat loneliness and isolation, increase participation in sports and active lifestyles, and work to reduce youth crime and violence, providing spaces, activities and support for young people.
- 2.4 Varying the CPNSC contract to an open-book approach with GLL will enable GLL to facilitate the centre's continued provision of essential sporting services to the local and wider community, in line with the Mayor's Sports for All of Us policy.
- 2.5 GLL is a not-for-profit organisation, with any surplus obtained from the contract reinvested into the organisation's wider objectives. This will benefit GLL's operating abilities, the people providing the services, and the way in which the services are delivered.

3. Equality comments

- 3.1 Under section 149 of the Equality Act 2010, the Mayor and GLA are subject to the public sector equality duty and must have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation

- advance equality of opportunity between people who share a relevant protected characteristic and those who do not
- foster good relations between people who share a relevant protected characteristic and those who do not.

- 3.2 The “protected characteristics” are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage/ civil partnership status. The duty involves having appropriate regard to these matters as they apply in the circumstances, including having regard to the need to: remove or minimise any disadvantage suffered by those who share or are connected to a protected characteristic; take steps to meet the different needs of such people; encourage them to participate in public life or in any other activity where their participation is disproportionately low. This can involve treating people with a protected characteristic more favourably than those without one.
- 3.3 Any future project team will work collaboratively with consultants and other agencies to promote the value and relevance of Inclusive Design through planning, procurement and commissioning of projects and programmes. This will support the Mayor’s commitment to creating an inclusive city by ensuring accessible and inclusive design is an integral part of new developments, public facilities and public spaces, addressing existing barriers to getting around the built environment.
- 3.4 The existing site can be difficult to navigate for people with restricted mobility, particularly due to the 6m level difference between the west and east boundaries of the site. The recommended work set out in this decision proposes future changes to ensure step-free access is provided to every facility and across the site, in particular along the Paxton axis, a main route through the park which is partially formed by the CPNSC elevated walkway.
- 3.5 The design team consulted with London Sport’s Disability Development Officer and held a drop-in session which was attended by disability sports representatives. The response on current shortcomings of the facilities for disability sports was extensive and the feedback from this session will directly influence the proposals.
- 3.6 Workshops were also held with access consultant People Friendly Places, who reviewed the emerging proposals and provided advice on how to ensure inclusivity was prioritised in the design. Access Consultants will be engaged at the next stage to continue to inform the design as it progresses.
- 3.7 Engagement and consultation with centre users, key stakeholders and the local community is an important part of the project and this part of the work will continue to proactively involve groups who share a protected characteristic, or characteristics, so that their views, interests and opinions are represented and fully integrated into the proposals. Young people were actively engaged and consulted in the design process and will continue to be proactively involved in the proposals.
- 3.8 GLAP and appointed professional consultants will strive to lead by example on creating inclusive workplace cultures, workforce diversity and challenging personal and unconscious bias.
- 3.9 The procurement and construction of any capital works will seek to incorporate an emphasis on workforce integration, promoting work and training opportunities for young people in the local area, especially those from a Black, Asian or Minority Ethnic background. Participation in the GLA’s Workforce Integration Network (WIN) will be heavily encouraged through the tender process.
- 3.10 Accessibility of the CPNSC to those on low incomes and a community access are at the heart of the operation. A contract variation will allow this to continue without any disruption in service and will be provided by GLL, which is a not-for-profit organisation.

4. Other considerations

Key risks and issues

- 4.1 Primary risks of cost escalation and time delay are not uncommon with capital projects of this nature as work progresses. Furthermore, until planning consent is secured and works tendered for the project, the impact of these issues is unquantifiable and will have to be mitigated as far as possible.

Capital works cost exceeds budget

- 4.2 High risk one: projected cost plans cannot adequately allow for the unknown costs and complexities associated with buildings of this age, type of construction, unusual structural design, aquatics retaining structures and swimming pool environment, public liabilities, and listed status.
- 4.3 High risk two: supply chain issues and labour shortages impact the contractor's ability to procure materials and sub-contractors in a timely and cost-effective manner, leading to rising construction cost and significant delay to the project.
- 4.4 Mitigation one: ensure that the contractor tender documents are properly prepared and contain all current CPNSC estate condition surveys and reports and pursue fixed price tenders for all works associated with the renovation.
- 4.5 Mitigation two: provide detailed building information to inform the cost plan and review the information at regular stages to assist with cost control. Ensure there is sufficient contingency built into the works programme to reflect the risks involved and consider value engineering to reduce capital costs and ensure robust management of spend for the duration of the project.

Resourcing and governance

- 4.6 Medium risk one: due to competing priorities the project is insufficiently resourced and there is a lack of appropriate oversight, causing capital works costs to exceed the project budget and delay to delivery, which leads to significant reputational damage to the Mayor, the GLA and GLAP.
- 4.7 Medium risk two: those involved in the project are unlikely to be users of CPNSC, meaning they may not fully appreciate the implications of delivery decisions on current or future users.
- 4.8 Mitigation one: establish a dedicated multidisciplinary project team comprised of officers from GLA Housing and Land, Regeneration and other teams to manage the delivery programme with the support of external technical consultants.
- 4.9 Mitigation two: establish a CPNSC Programme Board comprised of appropriate representatives from the Mayor's Office and senior GLA officers.

Operator contract and procurement

- 4.10 High risk: without a clear investment strategy for CPNSC, operators are unlikely to bid for the operator contract, as appetite for risk has been suppressed due to the negative financial impact of the COVID-19 pandemic on the leisure industry.
- 4.11 Mitigation: Undertake further market engagement to gauge operator risk appetite and use the information gained to influence the procurement strategy, setting out a confirmed schedule of work to allow for transparency and operator input on managing the transition.
- 4.12 High Risk: operator contract costs exceed those identified, resulting in a more adverse financial position than that envisaged.
- 4.13 Mitigation: officers will work closely with GLL to minimise this risk with regular monitoring of income and expenditure at the CPNSC. Any additional income could be used to create a contingency fund if the contract re-enters a deficit period. There is a risk that unforeseen/exceptional repair costs could

impact finance. However, under MD2746, an allocation of funding for essential maintenance was obtained to cover some of the risks already identified.

Revenue projections and whole life cycle costs

- 4.14 High risk: the revenue projections and whole life cycle cost savings associated with the (preferred) upgrade and consolidate option do not materialise, resulting in an ongoing and potentially even increasing requirement for GLAP subsidy to enable the CPNSC to break even.
- 4.15 Mitigation one: explore opportunities for alternative or flexible site uses through the planning process to improve the revenue potential of the estate.
- 4.16 Mitigation two: undertake a detailed review of terms in place with current lessees across the CPNSC to ensure that the commercial benefit associated with the improved facilities are fully captured by GLAP.
- 4.17 Mitigation three: retain an annual contingent budget of up to £1m per annum to meet any shortfall in revenue generated in the first 5 years of operation while engaging the leisure investor market to identify potential long-term investors for the CPNSC.
- 4.18 Mitigation four: undertake an exercise to identify long-term anchor tenants with the financial capacity to contribute to the cost of running the centre.

Links to Mayoral strategies and priorities

- 4.19 A more vibrant, inclusive and diverse offer at the CPNSC could have a marked impact on the wider health and wellbeing of residents in the five surrounding boroughs, across south London and across the south east region if implemented. The preferred improvement option strikes a clear chord with the Mayor's leading strategic documents on sport and activity (Sport for all of us), reducing health inequalities (Better health for all Londoners), improving social cohesion (All of Us; the Mayor's strategy for social integration) and encouraging investment into community infrastructure.
- 4.20 The context for recovery from the COVID-19 pandemic is extremely challenging. London has seen a huge economic, health and social impact which has disproportionately affected some communities more than others. Working with local councils, the NHS, businesses, universities, charities, trade unions, community and faith groups and Londoners in general, the Mayor has set out nine recovery missions, to help London's recovery deliver a fairer, greener and more resilient city.
- 4.21 The CPNSC improvement project aligns with the scope and ambition of these recovery missions, in particular:
 - Mental Health and Wellbeing: through encouraging participation in sports and active lifestyles and providing new spaces for mental health services
 - Building Strong Communities: through the retention of, and improvements to, a significant piece of social infrastructure for the local community and through the future development of a community hub
 - A New Deal for Young People: providing quality local youth activities
 - Good Work for All: through the provision of new sports and health focussed workspace in addition to the jobs maintained and created through a redeveloped centre
 - Healthy Food, Healthy Weight: through provision of a healthy food-focussed café and through access to improved health and fitness facilities, encouraging participation in active lifestyles
 - A Green New Deal: improvements to the building envelope and environment will deliver a more energy-efficient and sustainable building.

Consultations and impact assessments including data protection (as per the GLA's requirements under GDPR), health and safeguarding where relevant

- 4.22 Engagement and consultation with centre users, key stakeholders and the local community is an important part of the work which this decision seeks approval for. Every aspect of the project will be developed and delivered in compliance with the General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018.

Conflicts of interest

- 4.23 There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.

5. Financial comments

- 5.1 Crystal Palace National Sports Centre consists of buildings and leisure facilities, which have reached the end of their economic lifecycle. The decision is seeking approval to undertake a comprehensive capital investment programme to improve the CPNSC. The level of investment required to complete the project is commercially sensitive and is outlined in Part 2.
- 5.2 The decision is also seeking retrospective approval to vary the terms of CPNSC contract with Greenwich Leisure Limited (GLL) up to the end of the contract term at 31 March 2023.
- 5.3 The GLA / GLAP is continuing to engage with various stakeholders, which include the Heritage Lottery Fund, Big Lottery Fund and London Marathon Charitable Trust and others, to seek to secure funding towards the refurbishment cost of CPNSC.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that the decisions requested of the Mayor fall within the statutory powers of the Authority to promote and/or to do anything which is facilitative of or conducive or incidental to social development within Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- (a) pay due regard to the principle that there should be equality of opportunity for all people
 - (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
 - (c) consult with appropriate bodies.
- 6.1 In taking the decisions requested of him, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

Procurement

- 6.2 The officers have sought approval for expenditure for the refurbishment of the CPNSC. The total investment is outlined in Part 2. The officers must ensure that all works, services and supplies

required for the refurbishment project be procured in accordance with the Authority's Contracts and Funding Code and with the assistance of Transport for London's commercial team.

Delegation

- 6.2 Any function exercisable by the Mayor on behalf of the Authority may also be exercised by a member of the Authority's staff albeit subject to any conditions, which the Mayor sees fit to impose. To this end, the Mayor may make the requested delegations to the Executive Director of Housing and Land and to the Executive Director of Resources if he so chooses.
- 6.3 Further legal comments are included in Part 2 of this decision form.

7 Planned delivery approach and next steps

- 7.1 The timetable below outlines the proposed delivery approach and next steps for this project.

Activity	Timeline
Engagement with market to gauge operator appetite	December 2021
Operator contract variation completed	December 2021
Procurement of consultants	December 2021 to January 2022
Public engagement sessions	Throughout the programme
Mayoral Decision to proceed with operator procurement exercise (subject to market testing)	January 2022
Drafting of full tender documentation for operator contract (subject to market testing)	January 2022 to February 2022
Development of RIBA Stage 3 Design, preparation of construction procurement strategy and preparation of planning application	January 2022 to April 2022
Begin full operator contract procurement exercise (subject to market testing)	March 2022
Executive Director of Resources to determine whether the GLA or GLAP should own Crystal Palace NSC	March 2022
Construction Contractor procurement	April 2022 to August 2022
Submission of planning application	June 2022
Operator procurement exercise complete (subject to market testing)	September 2022
Approval process for operator contract (subject to market testing)	October 2022
Planning consent secured	December 2022
New operator contract completed (subject to market testing)	December 2022
Mobilisation of operator contract (subject to market testing)	January to March 2023
Construction commences on site (subject to contractor procurement)	February 2023
New operator commences full contract / responsibility (subject to market testing)	1 April 2023
Phase 1 Construction completion - including main centre building (subject to contractor procurement)	February 2024
Phase 2 Construction completion (subject to contractor procurement)	February 2025

Appendices and supporting papers:

Appendix A – Site Plan

Appendix B – Site information

Appendix C – Government guidance note

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? No

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – Yes

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Sarah Phillips has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Simon Powell on behalf of Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 6 December 2021.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

D. Gove

7/12/21

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date

D. Bellamy

6/12/21

