

CABINET

**COUNCILLOR SOPHIE PORTER
HEALTHY COMMUNITIES & ACTIVE LIVES
PORTFOLIO HOLDER**

03 MARCH 2026

KEY DECISION? YES

REPORT NO. REG2601

FARNBOROUGH LEISURE CENTRE – CONSTRUCTION CONTRACT AWARD

SUMMARY AND RECOMMENDATIONS:

This report provides an update on the Farnborough Leisure Centre Project and seeks approval to enter into a Development Management Agreement for RIBA stage 5 (Construction and handover) onwards for the delivery of the new leisure centre.

A. It is **RECOMMENDED** that Cabinet:

- 1) Notes the progress with the design of the leisure centre and changes made as a result of feedback during the leisure operator procurement process.
- 2) Notes the progress of the planning submission for the new Farnborough Leisure Centre.
- 3) Subject to planning permission being granted and review of the contractors proposals that authority be delegated to the Executive Director, in consultation with the Executive Head of Finance (S151 officer), the Interim Monitoring Officer and Corporate Manager Legal Services and Portfolio Holder for Healthy Communities & Active Lives, to enter in a Development Management Agreement with Alliance Leisure Services Ltd as set out in section 6.3 of this report, for the delivery of a new leisure centre and surface car park in Farnborough town centre.
- 4) Confirm that revenue capacity funding received from MHCLG continue to be utilised against revenue costs associated with the project.
- 5) Delegates authority to the Executive Head of Finance (S151 officer) to update the Capital Strategy and Treasury Management Strategy in line with the approval of capital budget and funding as above.
- 6) Authorises the use of the Council's powers to appropriate the Queensmead Car Park, Farnborough and the site of the previous Pinehurst Car Park, as set out in the plan at Appendix K Farnborough for planning purposes under section 122 of the Local Government Act 1972.

- 7) Authorises the use of Section 203 of the Housing and Planning Act 2016 to remove any legal constraints to development and delegates authority to the Interim Monitoring Officer and Corporate Manager Legal Services and Section 151 Officer in consultation with the Executive Head of Property and Growth to agree any compensation payable to beneficiaries of rights under section 204 of the Housing and Planning Act 2016 following due diligence of their claim.
- 8) Notes the decision of the Interim Corporate Manager Legal Services as to protective measures and authorises her, in consultation with the Executive Head of Finance (Section 151 Officer) to negotiate the terms of the protective measures to not exceed £100,000. Cabinet should note the £100,000 does not appear in projected costs below as the outcome of the negotiations is not yet known.

B. That the **COUNCIL BE RECOMMENDED** to delegate authority to the Executive Head of Finance (S151 officer) to put in place a Capital Budget up to £27.5m for the project to be funded by external funding (Levelling Up Programme), S106 funds and borrowing as set out in section 4.2 of this report.

1. BACKGROUND AND SUMMARY OF DECISIONS

- 1.1. In February 2025, Cabinet (REG2501) approved a revised approach for the delivery of a Leisure Centre in Farnborough town centre along with the procurement approach to appoint an operator to run the existing leisure facilities within the borough and the proposed new leisure centre.
- 1.2. The Ministry of Housing, Communities & Local Government (MHCLG) gave full approval in April 2025 for the Council to deliver the revised scheme utilising the remaining £18.5m Levelling Up grant (now known as the Local Regeneration Fund). At that time the Cabinet noted that the scheme would also require some borrowing that would be funded by operator income payments.
- 1.3. The proposed facility includes two swimming pools (a 25m 6-lane main pool, 10m x 8m learner pool with moveable floor), 100+ station fitness suite including provision of specialist equipment for people who are less mobile or active, 2 x studios plus a dedicated spin studio, a café and active play for children. A new surface car park and play park will also be delivered as part of the scheme. Plans for the scheme are included in the RIBA 3 report attached at Exempt Appendix B.
- 1.4. The new Farnborough Leisure Centre replaces the previous facility demolished in 2022 and will play a significant role in reducing health inequalities - both physical and mental - and increasing levels of physical activity in the Borough. These are key priorities identified in the Council Delivery Plan 2026-27.

1.5. This report

- Provides the latest position with the design and development of the Leisure Centre and the work underway to reduce and mitigate risk.
- Sets out the forecast financial profile of the project, affordability and impact on the Council's medium term financial position.
- Requests delegated authority to enter in the necessary agreements to enable the construction of the Leisure Centre subject to the total contract cost being less than £25.3m inclusive of 5% contingency
- Requests budget for client-side costs of £2.2m as set out in Exempt Appendix C.
- Taking into consideration the current forecast budget, financial sensitivity modelling and outstanding provisional sums, recommends the Council delegate authority to the Executive Head of Finance (S151 officer) to put in place a total capital budget not exceeding £27.5m on completion of the contract. The final budget to be confirmed in the first budget monitoring period after contract commencement.

2. NEW LEISURE CENTRE DESIGN AND DEVELOPMENT

Background to the project for a new leisure centre in Farnborough

- 2.1. The initial business case and rationale for a new leisure centre for Farnborough was developed to support the Council's levelling up bid (now known as the Local Regeneration Fund) for a Leisure and Cultural Hub. In October 2023 (report REG2307) the Cabinet agreed to commence work on that project.
- 2.2. In February 2024 (report REG2402) it was agreed that the RIBA 3 designs (Pre-planning) should be shared with the public and at the same time Cabinet agreed that work be undertaken to provide cost certainty on the project. A market tested cost plan was commissioned to ensure the estimated project costs were clear before the decision to move to the next stage of delivery. That work, alongside work by the Councils cost consultant, confirmed that costs has increased significantly, and the Leisure and Cultural Hub project as designed would be completely unaffordable given the Councils financial position at the time.
- 2.3. The Council's project team then engaged with a team of specialist consultants, known as Delivery Associates, provided by Government as part of the levelling up delivery programme to look at how the project could be adjusted to achieve the most important outcomes for local people whilst being affordable for the Council.
- 2.4. In February 2025 (REG2501) the Cabinet considered the outcome of the work undertaken with the support of the Delivery Associates. The report proposed a revised project, which would deliver a Leisure Centre in Farnborough, within the time parameters of the Levelling Up Fund (now known as the Local Regeneration Fund) and would be affordable for the Council given the Council's wider funding pressures. The community need and rationale for a replacement leisure centre facility remained unchanged from the bid but the cultural elements of the scheme were removed and facilities mix scaled back to ensure affordability

but taking into account the key resident priorities of replacement swimming pools and fitness.

- 2.5. At the same time the location of the new facility was changed to the Queensmead car park site which has advantages of being closer to the town and public transport and provides future flexibility for the regeneration of the wider Civic Quarter. The wider Civic Quarter is now subject to a strategic review of the Civic Quarter Masterplan and the outcomes of this review will come forward later this year.
- 2.6. In Feb 2025 (REG2501) the Cabinet agreed work would continue on the revised scheme and planning be submitted on completion of RIBA stage 3 (detailed design). In July 2025 (REG2503) Cabinet approved the budget to take the project to the end of RIBA Stage 4 (technical design) which would enable a final estimated cost to be confirmed before the decision to move to the construction phase was agreed. That work is now complete and the design update set out in section 3 below. The planning application submitted in October is due to be considered in March.
- 2.7. Subject to planning permission being approved the final key decisions for the Council to make in order to progress to construction of the leisure centre relate to the financial viability and affordability of the project and the decision to enter into contract.
- 2.8. Affordability of the scheme and the delivery of future leisure services offered by the Council is intrinsically linked to the outcome of the leisure operator procurement and the Council's financial position. Now that the operator procurement has been concluded (Report OS2603) the full financial implications of the new Leisure Centre have been modelled and are set out in section 5 of this report and Exempt Appendix A.

3. DESIGN UPDATE

- 3.1. The detailed design phase (RIBA stage 3) was completed in October 2025, and the stage 3 report can be found at Exempt Appendix B to this report. The purpose of the Stage 3 Report is to provide a developed and tested design so that the project can be developed into the technical detail in RIBA stage 4 in readiness for the delivery stages.
- 3.2. Following completion of RIBA 3 and pre planning public consultation, the planning application for the scheme (25/00583/FULP) was submitted on the 27th October 2025. The consultation period ended on the 18th November 2025 and the application is due to be determined by Development Management Committee during March.
- 3.3. Throughout the process of procuring an operator for the new leisure centre, feedback has been requested from bidders on the proposed designs. As a result, a number of changes have been made, including a reduction in dry change provision to facilitate the addition of a 100sqm second studio / multiuse space on the first floor of the building.

- 3.4. As set out in the July cabinet report (REG2053), consultation was undertaken with the BMX and skate community to seek their views on the proposed skate park provision. As a result of this consultation, it became clear that the area available was not sufficient and would not be suitable for a replacement provision. A decision has therefore been made that the reprovision of the skatepark will be taken forward as part of the wider Civic Quarter development.
- 3.5. As a result of the above, a new children's play area, reflecting the aviation heritage of Farnborough, has now been incorporated into the scheme, funded by S106 contributions.
- 3.6. The July cabinet report indicated that following the preliminary market engagement sessions with operators, all operators indicated that they would welcome additional spaces over and above those that can be provided via a surface carpark.
- 3.7. A transport assessment, including a parking study was undertaken for the scheme which identifies the parking requirements generated from the scheme and takes into consideration the existing parking available within the town centre. This information together with the additional costs to provide a multi-storey car were considered and given the financial position of the Council the decision was made to proceed with a surface car park.

Site Surveys - issues arising and impact on budget

- 3.8. Following initial site investigations, concerns were flagged around potential issues with high groundwater and associated flood risk, indicating a potential increase to the building finished floor level height, requiring further site investigations.
- 3.9. Further site investigations were undertaken impacting the RIBA 3 programme by circa 7 weeks. Following further investigations, the building height was raised by 300mm to manage ground and surface water risks which impacted budget.
- 3.10. Due to initial ground investigations uncovering a small area of contamination within Queensmead car park, further ground investigations were carried out in January 2026 to determine the extent of the contamination. These investigations confirmed that the contamination was widespread throughout the car park. Although there were already provisional sums within the budget for contamination this was no longer sufficient and the sums have been adjusted accordingly and the revised figures set out in Exempt Appendix C - under contract sum analysis from Pellikaan.
- 3.11. There are certain items within the contract sum that will be undefined provisional sums. This is an allowance in a construction contract for work that cannot be fully determined until work starts on site, such as ground conditions. These items are derisked via site investigations and the information available is used to determine a realistic sum for the work as well as a wider project contingency to cover any unforeseen circumstances.

3.12. The following items are provisional sums within the contract:

- Site risks: Ground contamination incl. asbestos & obstructions
- Dewatering (removal of excess ground water from site)
- Civil works Play area
- External services and temporary services connections (water/gas etc)

3.13. It is worth noting that the risk for these items sits with the Council in regard to any claims for delays and associated costs by the contractor.

Current design status

3.14. RIBA stage 4 (technical design) and pricing is currently concluding with final contractor's proposals due mid-March 2026.

4. PROJECT COSTS AND FUNDING

Capital Costs

4.1. The project cost to deliver the new leisure centre, playground and surface car parking is £27.5m. As set out in 3.11 it should be noted that the contract costs include provisional sums as set out in section 3.12 above. A high-level breakdown is set out in the Table A below. The detail behind Table A is included in Exempt Appendix C which includes the client-side cost breakdown.

Table A:

Project Cost	£
Contract cost	25,256,457
Client side costs	1,479,991
S106 funded playground	200,000
Capitalised interest	555,960
Project Cost Total	27,492,408

4.2. The funding approach for the capital elements of the scheme utilises the remaining Levelling up grant (now known as the Local Regeneration Fund) of £18.5m with a funding extension to March 2028, £200,000 of S106 funding for the playground and borrowing of £8.8m as detailed in Table B below.

Table B:

Funding	£
Levelling Up Funding	18,500,000
S106	200,000
Borrowing	8,792,408
Project Funding Total	27,492,408

- 4.3. The additional borrowing has a revenue implication of interest costs and Minimum Reserve Provision (MRP) charges. The revenue implications of additional borrowing and other revenue costs of operating the site detailed below are intended to be funded from leisure centre operator income following the successful award of the operator contract as approved by Cabinet 10 February 2026. The financial modelling and implications are set out in section 5 below and in the Exempt Appendix A.

Revenue costs

- 4.4. In addition, to the borrowing costs above, there will be additional revenue implications for the Council. Whilst the operator will be providing the key leisure services for the Council/new unitary council there will be a number of ongoing revenue costs related to the operation of a new leisure centre, playground and car park. These are set out in Exempt Appendix A and include additional staffing resource to manage a larger leisure contract portfolio, ANPR running costs and playground maintenance costs.
- 4.5. Reduction in available car parking in a prime Farnborough town position is also anticipated to reduce current car parking income levels. The modelling provided in Exempt Appendix A builds in an assumption that car park income loss is 50% of current income at the Queensmead car park. Officers will work to mitigate this impact by redirecting users to alternative council owned sites, however loss of this income is an anticipated negative impact from the redevelopment of the site.

5. AFFORDABILITY AND MODELLING

- 5.1. The proposed scheme will require the Council to borrow £8.8m in addition to utilising the levelling up funding (now known as the Local Regeneration Fund). This has a direct impact on the council's revenue budget alongside the other revenue implications covered in the project costs section above.
- 5.2. A number of scenarios have been modelled to consider costs and income changes to the MTFS due to the proposed investment in the site and are provided in Exempt Appendix A as listed below:
- i) Main business case
 - ii) A loss of all car parking income
 - iii) A 1% increase in interest rate assumption
 - iv) A £0.5m increase in capital costs
 - v) A £1m increase in capital costs
 - vi) A 1% increase in discount rate
- 5.3 Other assumptions included in these investment business case calculations include;
- contingency levels
 - capitalisation of interest during the construction period
 - a 50 year building life assumption
 - a standard borrowing interest rate of 5.43%

5.4 Consideration of these scenarios help to show the impact of some of the potential financial impacts of project risks to the council.

6. DELIVERY

Development Partner

6.1. The delivery approach for the project was approved at Cabinet on the 11th February 2025 (REG2501). The approved approach is to deliver the project via the direct appointment of a Development Partner utilising the UK Leisure Framework, leading to the appointment of Alliance Leisure Services Ltd (ALS) for the provision of project management, design and professional services required for the completion of RIBA stages 2 & 3 and proceed with a direct appointment of the Principal Contractor as identified by ALS.

6.2. As set in report REG2501, the UK Leisure Framework is a single supplier framework. At that time Cabinet considered how best value is achieved for the Council via this route and this is summarised below:

- **Supply Chain Leverage:** The framework has a well-established and pre-procured supply chain developed over many years. With the potential of repeat business, as part of a larger potential pipeline, this keeps contractor costs most competitive, quality high and the ability to quickly overcome challenges. This leverage is powerful and helps the Council get the best results.
- **Gateway Process:** The pre-construction process is aligned with the RIBA stages. An End of Stage report, inclusive of a value for money assessment, is issued by Alliance for review by the Council and validated independently, prior to approval being given to move to the next stage.
- **Sub-contractors:** The sub-contractors available through the Framework consists of building contractors, architects, project managers and equipment providers with a proven track record in delivering high quality projects, on time and on budget in both the public and private leisure sectors.
- **Evaluation:** The Framework has an evaluation procedure for engaging with its architects, contractors, professional teams, and equipment supply chain ensuring that projects meet the standards required.
- **Design team:** The selection of the design team will be made by Alliance Leisure Services Ltd, thus enabling them to manage the delivery risk for the project and protecting the Council. This route provides the quickest method to progress pre-construction work for the project and shortens the programme providing some mitigation towards inflation risk.
- **Early contractor engagement** ensures 'buildability' from the outset and avoids unwanted surprises in later stages.
- **Single point of contact:** Alliance manage multiple appointments helping to relieve additional time and resource required by the Council.

- 6.3. What this means in practice is that the Council will enter into a Development Management Agreement with Alliance Leisure Services Limited for the project total, less client side costs. Alliance Leisure will enter into a Design & Build JCT contract with the build contractor, Pellikaan. Alliance will oversee the contractor on a day-to-day basis meeting regularly with the Council's client-side project team. Alliance are procuring a clerk of works whose role is to ensure the scheme is built in accordance with the plans and is compliant with legislation. The Council is employing a technical construction consultant who will work independently of Alliance. He will visit the site regularly to ensure the project is being delivered in accordance with the design specification and the relevant Health and safety regulations.
- 6.4. As part of the Council's due diligence on suppliers it has undertaken financial checks on both Alliance Leisure and Pellikaan, even though the construction risk is with Alliance. Both companies are considered low risk and stable. In addition, a review of previous statements of accounts has been undertaken and this confirms the stability of Pellikaan's financial position.

Rushmoor Project Arrangements

- 6.5. Project governance arrangements are in place to ensure project oversight by senior management and members, including fortnightly portfolio holder briefings. The Project governance diagram is set out at Exempt Appendix D.
- 6.6. The Senior Leadership Team (SLT) has acted as the project board to date and provide steer as required on project-related issues that may arise throughout the lifecycle of the project as well as review the progress of the project and receive regular updates on progress against programme, budget, and risk through consideration of project highlight reports. Oversight of the build project will be through the same arrangements with reporting to Members through the quarterly performance reports.

7. CONTRACT, RISKS AND MITIGATION

- 7.1. The Council will entering into a Development Management Agreement with Alliance leisure. The DMA forms the contractual arrangement by and between Alliance and the Council. Alliance then enters into a series of contracts with its suppliers comprising both the builder and professional consultants, for which Alliance will be paid a fee to manage them. Alliance will ensure that the builder engages with specialist sub-contractors. Thus there will no direct contractual relationship between the Council and Alliance's team of builders and professionals.
- 7.2. In order to mitigate the Council's risks, the builders, its sub-contractors and the professional consultants are required to enter into collateral warranties in favour of the Council. The Council is also requesting Alliance Leisure to retain professional indemnity insurance for 12 years from practical completion.

- 7.3. The contract being used by Alliance Leisure with Pellikaan is a JCT design and build contract (2016) with amendments. This has been reviewed by counsel who confirmed that the terms of the contract have been thoroughly drafted to protect the Council's position and that no significant risks for the Council were identified.
- 7.4. The Council is also choosing to include the costs of Latent defects insurance in the project costs. Latent defects are hidden problems which may only be discovered over time, such as structural or waterproofing envelope issues. They are not those defects obviously found upon normal inspection.
- 7.5. The final set of protections being put in place are set out in exempt appendix L.

8. PROGRAMME

- 8.1. A detailed current programme can be found at Appendix E and the build period is 18 months. The key milestones for the project are set out below:

Project Stage	Milestone
Planning Approval	March 2026
Completion of RIBA Stage 4 Design & Cost	March 2026
Award of construction contract	March 2026
Pre-commencement activity	April – June 2026
Contractor full Site Commencement	June 2026
Facility Open	Winter 2027

- 8.2. The Project Team will make operational day-to-day delivery decisions within the agreed delegations following Cabinet/Council decisions, in line with the Council's Scheme of Delegation as outlined in the Constitution and Council procedure rules, overseen by the Project Sponsor, currently the Executive Director.

9. Alternative Options

- 9.1. There is an option not to deliver a new facility and retain the existing Queensmead car park and find an alternative use for the other land for other purposes. This is not in line with Council priorities and would likely be unpopular with residents.
- 9.2. Not providing a new facility would have a significant impact on the leisure procurement and reduce the attractiveness of the current offer to the market.

Consultation

- 9.3. Between 30 June and 25 July 2025, the council undertook a programme of public consultation, comprising three in-person events. Approximately 350 residents attended the in-person sessions, with further feedback collected through the physical survey forms, and digital engagement channels.
- 9.4. A dedicated public consultation microsite was launched on 20 June 2025. The site hosted digital versions of the consultation boards and provided direct access to the online survey. The microsite will remain live throughout the development process to support ongoing engagement.
- 9.5. The consultation gave multiple opportunities for the community to review the draft proposals and share their views.
- 9.6. A broad range of stakeholder groups were engaged through stakeholder engagement meetings throughout the design process to ensure the proposals reflect the needs of users, operators and the wider community. Engagement focused on organisations and direct users, with feedback sought on accessibility, operational requirements and key community priorities. Feedback from these engagement meetings were used to inform the evolving design.
- 9.7. Stakeholders consulted included:
 - Local sports clubs and interest groups, including scuba training providers, artistic swimming groups, Rushmoor Royals Swimming Club, BMX and skateboarding representatives, and GKR Karate
 - Community and accessibility groups, including Henry Tyndale School and the Rushmoor Accessibility Action Group (RAAG)
 - National Governing Bodies (Sport England, Swim England, Badminton England, England Netball, England Basketball, England Volleyball)

A full summary of engagement activities and feedback is provided in the Statement of Community Involvement in Appendix F.

10. IMPLICATIONS

Risks

- 10.1. The Council will be accepting a number of risks in opting to proceed with delivery of this project. These include risks associated with the development and delivery of a capital project of this scale such as site ground conditions, contractor solvency, cost overruns, inflationary increases and associated stakeholder management.

- 10.2. In entering into the Development Management Agreement with Alliance the Council will be accepting a number of these risks. The live risk register is attached at Exempt Appendix G and sets out the current risk ownership. Prior to entering into contract this will be agreed and finalised with input from legal and used as a core project document.
- 10.3. The risk of the scheme to the Council's overall financial position is set out in section 5. While the Council has the residual £18.5m grant funding to employ against the scheme, if it is to proceed to construction, it will be accepting the financial risks associated with the funding approach including the additional borrowing required and the associated financial risks such as interest rate risk and other risks as identified, evaluated and scenario tested.
- 10.4. As part of our obligations for the Levelling up funding (now known as the Local Regeneration Fund) a risk register is maintained for the project with the top 10 risks reported to MHCLG as part of the monitoring return requirement. These reported risks are attached at Exempt Appendix H.

Legal Implications

- 10.5. As set out in section 7 and Appendix L of this report, the Council will enter into a Development Management Agreement with Alliance Leisure Services Limited and Alliance will enter into a Design & Build JCT contract with the build contractor.
- 10.6. The key legal risk relates to the issue of contractor failure in terms of delivery (in whole or in part) of the contract and the impact of that on the wider organisational finances. As set out in the recent budget report the MTF5 shows a projected situation of not being able to set a legal budget in 2028-2029. There is therefore no capacity within the organisational finances to absorb the impact from contract failure.
- 10.7. The scheme of delegation delegates the decision as to the appropriate mitigation of that risk to the Corporate Manager Legal Services. Due to the commercial nature of the matters she has considered, and due to negotiations being ongoing, details are set out in Exempt Appendix L.
- 10.8. There are a number of legal constraints to the development of the leisure centre by way of third-party rights and covenants over the sites. Having received Report LEG2505 at its meeting on 14th October 2025, the Cabinet delegated how best to deal with these constraints to the Executive Director in consultation with the Interim Monitoring Officer and Corporate Manager Legal Services. They decided the best method was to carry out public consultation for the appropriation of the sites for planning purposes and use of section 203 of the Housing and Planning Act 2016 to override third party rights.

- 10.9. No objections or comments have been received and the Officers recommend that Queensmead and Pinehurst Car Parks are appropriated to planning purposes, and section 203 of the HPA is used to override the third party rights necessary to carry build and operate the Leisure centre subject to the receipt of planning permission for the development.
- 10.10. Compensation may be payable if valid claims are received by owners of the third-party rights and further information concerning this is contained in the Exempt Appendix I.

Financial Implications

- 10.11. The project has previously had approvals to proceed to RIBA stage 4, funded fully by the Levelling Up Fund (now known as the Local Regeneration Fund).
- 10.12. The Council was awarded £20m of Levelling up Fund (now known as the Local Regeneration Fund) from government to deliver a leisure and cultural hub in Farnborough in 2023. £18.5m of this funding is to be utilised to deliver the Farnborough Leisure Centre. This funding had a requirement to be spent by 31 March 2025. However, the Council has achieved an extension to this deadline, and funding must be utilised by 31 March 2028.
- 10.13. The Council will be required to borrow an additional £8.8m to enable this project. In the past three Council approved budgets, the Council has been seeking to reduce the debt levels of the council to reduce the revenue implications down to a more sustainable level for the Council.
- 10.14. This project, however, does enable some positive cashflows to the council through the operator management fee. In the initial years following project completion whilst membership numbers are built up to maturity, revenue costs outweigh this income. As the leisure centre site reaches a position in years 4-onwards, the site will have a net positive revenue position to enable debt costs of the project to be covered, provide additional income to the council whilst providing a leisure asset to the public.
- 10.15. In the interim years whilst construction is taking place and initial 3 years following the site opening, the council will have revenue impacts that are not offset by a leisure operator management fee. Therefore, the Council will need to fund the net cost from reserves in the short to medium term. This does increase pressure on the MTFS. Forecasts for these costs have been included in the 2026/27 budget & MTFS subject to approval by Council on 26 February 2026.
- 10.16. The main business case shows the projected NPV of the project, which is positive for the council, therefore delivering value to the council as well as the community.

- 10.17. During the construction interest rate costs can be capitalised. This enables the council to mitigate the revenue impact of these costs to be covered through the life of the asset, funding them with the leisure operator management fee.
- 10.18. Whilst the modelling provided in Exempt Appendix A uses current PWLB rates and rate forecasts from the councils treasury consultants to assess financial feasibility. The Council may not borrow for the capital costs over the 50 year life of the asset due to anticipated changes with LGR. The unitary council that will be in place from April 2028 may not require borrowing to fund this cost, therefore it may tie the new council into a debt position it does not require. It is more likely short term borrowing will be utilised until the new unitary council is in place. Therefore, we have utilised the MTFS interest assumption of 4.5% for the capitalisation of interest during the construction phase.
- 10.19. The Council continues to have a financial deficit within its MTFS (medium-term financial strategy) period which requires resolution. Any decision to take on a project needs to be considered in the context of this deficit.
- 10.20. Ernst & Young LLP, the Council's Financial Statements Auditors, raised a growing concern on the matter as part of the 2025/26 audit findings report regarding the council's high level of short-term borrowing and budgeted shortfalls within the MTFS that do not currently have recurrent savings identified to bring into balance. Therefore, progression of this project to construction stages, and therefore committing the council to over £20m of capital expenditure requires confidence that it will achieve appropriate income to mitigate additional borrowing costs.
- 10.21. In addition, MHCLG will need confidence that the council is financially sound and the project will offer financial viability to ensure that the Council does not receive a Best Value Notice. The Ministry of Housing, Communities and Local Government will consider issuing a 'Best Value Notice' to secure compliance with the Best Value Duty, as required by the Local Government Act 1999. One of the key triggers for issue of a notice which could be relevant may be concerns over financial sustainability in a Councils MTFS or concerns regarding value for money regarding this project.

Resource Implications

- 10.22. An internal Project Team is in place comprising existing establishment roles within the Regeneration and Development Service to progress client-side responsibilities associated with the delivery of the scheme.
- 10.23. A Client side technical construction consultant is required for the duration of the project as set out in section 6.3 of this report and this has been included for within the client side project costs.

10.24. Once the new Farnborough Leisure Centre is open, an additional internal resource is anticipated to be required to manage the main phase of the new leisure operating contract. A full-time G4 position has been costed into the financial implications but would require a justification consideration closer to the completion of the project due to the anticipated changes in staffing of the Council in the months prior to LGR (Local Government Reorganisation) and implications in this period on other staff.

Equalities Impact Implications

10.25. The project addresses significant Health inequalities and seeks to improve access to leisure facilities in Farnborough. The design proposals have evolved significantly to better reflect local identity, improve accessibility, and provide flexible and inclusive spaces

10.26. An Equality Impact Assessment screening tool has been completed and can be found in Appendix J which details how the Design proposals will have a positive impact on a number of groups with protected characteristics, as well as disadvantaged groups.

11. CONCLUSIONS

11.1. The delivery of a new leisure centre for Farnborough is a significant priority for local people and the Council's Cabinet. Entering into the development agreement with Alliance for the construction phase is considered the most effective and least risk option for delivery with the protections in place as set out in the report.

11.2. The report seeks delegations to officers to enable contracts to be entered into once planning permission is granted and ensure delivery of a new facility within the Levelling Up funding (now known as the Local Regeneration Fund) timelines and to ensure a much need facility for local people.

LIST OF CONFIDENTIAL APPENDICES

Appendix A - Exempt Financial Modelling
Appendix B - Exempt RIBA Stage 3 Report & Design
Appendix C - Exempt Detailed Project Costs
Appendix D – Exempt Project Governance Diagram
Appendix E - Delivery Programme
Appendix F - Statement of Community Involvement
Appendix G - Exempt Risk Register
Appendix H - Exempt MHCLG Risk Register
Appendix I - Exempt S203 - Third Party Rights
Appendix J - Equalities Impact Assessment
Appendix K - S203 Appropriation Redline Plan.
Appendix L – Exempt Financial Protections

BACKGROUND DOCUMENTS:

Cabinet Report REG2501
Cabinet Report REG2503
Cabinet Report LEG2505
Cabinet Report OS2603

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