Minutes of the meeting of the **DOVER LEISURE CENTRE ADVISORY GROUP** held at the Council Offices, Whitfield on Thursday, 8 December 2016 at 3.00 pm.

Present:

Chairman: Councillor T J Bartlett

Councillors: P M Beresford
N J Collor
M D Conolly
P Walker

Officers: Mr Stephen Jepson (Hadron Consulting)
Mr Dean Lucas (Faithful & Gould)
Mr Tom Pinnington (The Sports Consultancy)
Mr Gary Thomason (GT3 Architects)
Ms Jacqueline Ross (Jacqueline Ross Spa Consultancy)
Director of Environment and Corporate Assets
Head of Finance
Corporate Architectural Project Officer
Principal Infrastructure and Delivery Officer
Principal Leisure Officer
Legal Executive (Conveyancing and Planning)
Democratic Support Officer

56 APOLOGIES

It was noted that an apology for absence had been received from Mr Peter Ward.

57 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that there were no substitute members.

58 DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest.

59 MINUTES

The Democratic Support Officer advised that a correction was needed to Minute No 55 which should be amended to read …'he advised that the Building Cost Information Service (BCIS)…'.

Subject to this amendment, the notes of the meeting of the Group held on 3 November 2016 were approved as a correct record and signed by the Chairman.

60 UPDATE ON SPA OPTION

Ms Jacqueline Ross outlined the factors that would determine a successful spa facility. These included a very high level of customer service, well trained and motivated staff, the right facilities mix and appropriate pricing. The spa would need to be sustainable and 'future-proofed' so that facilities could be upgraded/refreshed in the future, thus providing longevity for the project. The proposal for Dover was for a day spa which would offer a range of facilities based on recommendations from the British Spa Association.

The projected level of spa usage was largely based on the typical level of take-up experienced by spas situated in comparable communities living within a 15-minute drive of a spa. The spa's use by the surrounding community would therefore be crucial to its success. In addition, it was expected that 10% of leisure centre members would upgrade their membership to access a spa. The initial projection for leisure centre membership was 3,000, with the potential for this to rise to 4,000 in the longer term.

It was anticipated that the spa would have a net operating surplus of £15,000 by the second year and a net operating profit of £32,000 at three-year maturity. These figures excluded the financing of the requisite capital funding. Key risks included the ability to recruit and maintain experienced staff; lack of operator experience in managing spa facilities failing to maximise opportunities and an inadequate marketing plan.

It was agreed that the briefing be noted.

61 EXCLUSION OF THE PRESS AND PUBLIC

That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that the item to be considered involves the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act.

62 UPDATE ON SPA OPTION

Having excluded members of the press and public, Mr Jepson referred Members to page 15 of the report which set out the four options in relation to the spa. It was estimated that the addition of a spa would add at least three, and possibly as much as five, months to the completion date of the project. He reported that adding service capacity now – to allow the centre's facilities to be expanded in the future - would be more cost-effective than doing it retrospectively.

Mr Pinnington advised that, over a 10-year period, a combination of spa day visitors and upgraded leisure centre membership would give an estimated average net revenue surplus of £49,000 per annum, allowing the Council to service a loan of £1.2 million. This would leave a shortfall in capital funding of £1,155,567.

In response to concerns expressed by Councillor M D Conolly regarding the significant increase in the capital cost of the spa, Members were advised that this was driven by the increase in the size of the spa from that originally envisaged. Original estimates had been based on what was on offer at Ramsgate and had not had the benefit of experts' input, nor had they taken into account the additions and refinements needed to the original design which had come to light following discussions with the spa consultant and visits to other spa facilities. Mr Thomason added that the revised cost was now predicated on a specialist brief which reflected the needs of the market.

The Head of Finance gave a presentation. The cost of borrowing an additional 2.4 million to fund the spa facility would equate to £96,000 per annum. £49,000 of this could be funded from the estimated net revenue surplus generated by the spa. However, there would be a shortfall of £47,000 which would have to come from the Council's General Fund budget. There was also a risk that Sport England (SE) would withdraw its funding (estimated at potentially £1.5 million) if the Council went ahead with a spa. Mr Pinnington advised that SE had 80 competing projects and they would prioritise those which were most in need of funding and which most closely met its priorities.

Councillor P Walker stated that he was concerned by the shortfall but suggested that this could be reduced by using more money from the Council's reserves. He was not convinced by the 15-minute drive-time measure used by the consultant as he considered that there was a wider market for the facility. Whilst he would prefer to go for the £288,000 option, he was cognisant of budget pressures that could arise from other investments. In response to the DECA, Mr Lucas advised that it was difficult to estimate how much more the spa would cost to build in the future as factors such as inflation and site access would have a bearing.

Mr Pinnington added that if the leisure centre exceeded revenue/membership targets and the management contract came in higher than expected, the risk of adding the spa would be reduced. In response to the Chairman, Ms Ross offered her view that the leisure centre was likely to exceed expectations as had been the experience at Ramsgate and Pendle. Whilst some savings could be made to the cost of the spa, these were likely to be relatively insignificant. In the circumstances, she believed that it would be advisable to build the spa at a later stage.

Mr Thomason showed Members plans and explained that it would be possible to 'future proof' the building (to allow the spa to be added at a later date) by pushing the escape staircase out and increasing the footprint of the ground and first floors. This option would cost £288,000 plus VAT and the extra space would be usable in the interim. However, his view was that this was a costly option unless there was certainty that the spa would be built in the near future. The DECA confirmed that, if the £39,000 option were agreed by Cabinet, it would not need to go to Council for approval as it was within the existing budget allocation and was not specifically for the spa.

It was agreed to recommend to Cabinet that the Council should not proceed with the spa facility, and that the project should proceed as planned but with an increased services capacity (at a cost of £39,000 plus VAT).

63 READMITTANCE OF THE PRESS AND PUBLIC

It was agreed that the press and public be readmitted to the meeting.

64 DESIGN DEVELOPMENT

Officers advised that there was nothing to report.

It was agreed that the update be noted.

65 RISKS

Mr Jepson advised that good progress was being made.

It was agreed that the update be noted.

66 PROGRAMME

Officers confirmed that a 6 to 8-week delay to the programme was now anticipated. This would see completion of the new leisure centre pushed back to March/April 2019.

It was agreed that the update be noted.

67 LAND ACQUISITION

The DECA advised Members that he had met the landowner and his legal representatives that week, and it was hoped that contracts would be exchanged before Christmas. It was confirmed that there had been no change in costs.

68 DATES OF FUTURE MEETINGS

It was agreed that the future meeting dates be noted.

69 EXCLUSION OF THE PRESS AND PUBLIC

That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the business on the grounds that the items to be considered involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

70 PROJECT COSTS

Mr Lucas advised that there had been no change to project costs. Stage 3 of the cost plan had commenced, and the scheme costs and design were being finalised.

It was agreed that the update be noted.

71 CONTRACTOR PROCUREMENT

Mr Jepson advised that three bids had been received from contractors interested in the construction of the new leisure centre. Initial indications were that the tender values were in line with what was expected. Interviews would take place the following week and the results reported back to the Group. The DECA confirmed that all three contractors had worked in the local area. The appointment of the building contractor was expected to go to Cabinet in October.

It was agreed that the update be noted.

72 OPERATOR PROCUREMENT

The Principal Leisure Officer advised that the operator procurement process was on track and it was anticipated that the contract would go out to tender in late February. The tender documents would include the management agreement (based on a 12-year operating contract), service specification and suggested improvements to Tides leisure centre. Nationally there were twenty similar projects about to go through the tender process, and it was therefore imperative that the Council made its tender as simple and attractive as possible in order to generate interest. It was known that six operators were interested in the Dover project.

Mr Pinnington added that he did not believe that the removal of the spa would affect interest. In fact, its removal was likely to provide more certainty for operators who would almost certainly have included a greater element of risk in their projected revenue figures with the spa. The Principal Infrastructure and Delivery Officer advised that the operation of the spa, if added at a later date, could be sub-contracted out by the main leisure centre operator.

It was agreed that the update be noted.

The meeting ended at 4.47 pm.