
Subject:	DOVER LEISURE CENTRE
Meeting and Date:	Cabinet – 20 September 2016 Scrutiny (Policy and Performance) Committee – 20 September 2016 Cabinet – 21 September 2016 Council – 21 September 2016 (subject to Cabinet approval of Recommendation 8)
Report of:	Roger Walton, Director of Environment and Corporate Assets
Portfolio Holder:	Councillor Trevor Bartlett, Portfolio Holder for Property Management and Public Protection
Decision Type:	Key Decision

Purpose of the report: To seek approval to replace Dover Leisure Centre.

Recommendations:

- CABINET:** Cabinet are asked to approve the recommendations 1 to 8 below and indicate whether they prefer option 3a or 3b and to note the project can only proceed subject to the Council approving Recommendation 9.
1. Approve the proposal to construct a new leisure centre on a new site at Whitfield identified in Annex 1 and to then close the existing Dover Leisure Centre at Townwall Street, Dover.
 2. Authorise the Director of Environment and Corporate Assets to appoint Faithful & Gould, as lead consultancy team, using the Scape National Asset Management, Surveying and Design Services Framework or a similar framework should that be available and be advantageous to the Council.
 3. (a) Approve the proposed facility mix at Table 1 and proceed with the project now, or;
(b) Approve the proposed facility mix at Table 1 and adopt the recommendation of the Project Advisory Group that “a further report be commissioned to explore the addition of a spa facility” and authorise the Director of Environment and Corporate Assets to appoint a specialist spa consultant to assess the feasibility of including a spa in the facility mix and report back to Cabinet.
 4. Delegate the decision on the split between borrowing and use of reserves to finance the project to the Director of Finance, Housing and Community in consultation with the Portfolio Holder for Performance and Resources.
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5. Authorise the Director of Environment and Corporate Assets to prepare an application for planning consent for a new leisure centre at Whitfield, (including negotiation of possible development contributions) and report back to Cabinet prior to submission.
 6. Authorise the Director of Environment and Corporate Assets to select the contractor using the Southern Construction Framework as set out in this report and subject to a further report to Cabinet and planning permission being granted, the Director of Environment and Corporate Assets then be authorised to make the necessary appointment.
 7. Authorise the Director of Environment and Corporate Assets at the appropriate times and in the appropriate sequence to:
 - (a) Tender the contract to manage the new leisure centre on the open market, and to include management of the Tides Leisure Centre complex in the tendered management contract.
 - (b) Terminate the leases of Dover Leisure Centre and Tides Leisure Centre complex by service of 12 months' notice under the break clauses in the leases.
 - (c) Appoint The Sports Consultancy to manage the tendering of the leisure management contract for Dover Leisure Centre and Tides Leisure & Indoor Tennis Centre and provide ancillary legal services
 8. Request that the Council amends the budget and policy framework to include this project in the capital programme.
- COUNCIL:**
9. To amend the budget and policy framework to include this project in the capital programme
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1. Summary

- 1.1 This report recommends replacement of the leisure centre in Dover with a new leisure centre in Whitfield, featuring an increased range of facilities and parking. A feasibility study of the proposals indicated that the new leisure centre would attract many more visits than the existing centre, and would therefore make a significant contribution to achieving the corporate priority of working towards healthier people and communities.
- 1.2 Approval of the recommendations in this report does not commit the council to full expenditure at this point. It provides authority for officers to proceed with developing the project. Further cabinet reports are to be presented at key milestones so that members have control over costs.

- 1.3 The anticipated cost of the new facility is currently estimated at £26.4m. This figure includes land purchase, consultant fees (e.g. for design), preparation of a planning application, construction, financing costs, demolition of the existing leisure centre, site clearance and includes the capitalisation of internal staff costs. The capital finance will be met through a mix of grants, borrowing, capital receipts and Council reserves. Financing of the cost of borrowing is to come primarily from operational savings and increased income to be generated by the new leisure centre.
- 1.4 A great deal of evidence has been gathered to underpin the proposed project. The rest of this report summarises key information including:
- Previous Reports
 - Why a new leisure centre is needed in the Dover Urban Area
 - Financial Feasibility
 - Facility mix
 - Site Options
 - Consultation
 - Environmental Considerations
 - Project Procurement
 - Project Financing
 - Project Timetable and Resources
- 1.5 Annex 1 provides more detail on the main aspects of the proposal that are discussed in summary in this report below.

2. Previous Reports

- 2.1 Cabinet has previously considered reports on the Dover Leisure Centre (DLC) in March 2015, September 2015, January 2016 and July 2016 at which a number of decisions were taken including:
- *That £200,000 be set aside from the Capital Programme, to be drawn down as required by the Director of Environment and Corporate Assets, in consultation with the Director of Finance, Housing and Community, to support the next stage of the project, and to authorise the Director of Environment and Corporate Assets to prepare and submit a grant application to Sport England's Strategic Facility Fund.*
 - *That a cross-party advisory group be established, and Mr Peter Ward invited to serve as a public representative. Wider public consultation will be considered as the project evolves*
 - *That the relevant Portfolio Holder(s) attend meetings of the Scrutiny (Policy and Performance) Committee in order to provide it with regular updates on progress, including any proposals for public consultation*
 - *That the viability of Whitfield should be investigated as the first option, with the viability of Buckland Mill as the second option.*
 - *That the Director of Environment and Corporate Assets be authorised to engage with prospective partners and funders on the options for financing the new leisure centre.*

- *That the Director of Environment and Corporate Assets be authorised to negotiate:*
 - (i) *The Heads of Terms with the owner of the land at White Cliffs Business Park (WCBP) for the purchase of land at WCBP to facilitate the possible relocation of Dover Leisure Centre.*
 - (ii) *An option agreement for the sale of the existing leisure centre site at Woolcomber Street, Dover.*
- *That the Director of Environment and Corporate Assets be authorised to enter into such agreements as he considers appropriate to give effect to the above, on terms to be settled in consultation with the Portfolio Holder for Property Management and Public Protection and the Solicitor to the Council.*

2.2 The various decisions taken by Cabinet have been implemented and this report provides details of the progress made, and seeks approval to move the project forward to deliver a new leisure centre.

3. Why a new leisure centre is needed in the Dover Urban Area

3.1 Dover Leisure Centre is 40 years old and the Council's maintenance plan indicates that expenditure of circa £1.5 to £2m may be required over the next 5 years simply to maintain the existing fabric. Even if these repairs and refurbishment were undertaken it would result in a building with a limited lifespan. In addition, although it would be in good decorative order the building would still be expensive to maintain, could not generate significant additional income to invest in the service and, due to the size of the current site, there would be no realistic options for growing the level of provision. Therefore, refurbishment of the existing facilities would fail to meet the future needs and expectations of our community.

3.2 The Council's Corporate Plan 2016-2020 recognises the importance of ensuring that 'our district is clean and safe with a good range of leisure, tourism and cultural activities'. Clearly, a high quality leisure centre in the District's largest settlement is a crucial part of this vision, and the Corporate Plan commits the Council to prioritising the provision of 'a new leisure centre for Dover (subject to viability assessment)'. The main considerations of any assessment are the financial feasibility of a new centre, the facility mix required, identification of a suitable location and development of an approach to its procurement and future management.

4. Financial Feasibility

4.1 In March 2016 Dover District Council appointed a consultancy team, led by The Sports Consultancy, to complete a Feasibility Study (to RIBA Stage 2) regarding a new leisure centre in the Dover urban area. The study has now been completed and a copy of the report is included at Annex 1.

4.2 The report received at the Cabinet meeting held in January represented the initial 'Options Appraisal' stage in developing the project. It included benchmarked capital and revenue costs and the outline business case for the initial options to enable the Council to decide whether to proceed and, if so, which is the Preferred Option(s) to carry forward. The report provided an estimated capital cost for each option, with a cost of £19.9m being indicated for Option 4, which was the preferred option agreed by Cabinet.

- 4.3 In presenting these figures, the report noted that given the relatively early stage of project development, all capital and revenue costs were likely to be subject to change as the options are developed and refined. It also noted that the £19.9m figure excluded costs such as land acquisition, landscaping and those related to the planning process such as S106 payments.
- 4.4 The current report provides a revised figure with the total cost of the project now estimated at £26.4m. The variation arises from adding more facilities to the core facility mix, increased parking provision, rise in construction costs due to inflation, as well as revised costs for land purchase, demolition of the existing centre, Section 106 contributions and capitalisation of internal staff costs.
- 4.5 This study comprises a detailed investigation into preferred options, as previously identified by the initial feasibility study reported to Cabinet in January 2016. The objectives included mitigation of key financial risks as far as possible, giving the Council a higher degree of cost certainty as it decides whether, and how best, to proceed. This has been achieved by taking a prudent approach to individual cost elements and the inclusion of substantial contingency in the projected total cost.
- 4.6 The main conclusions of the report are that, based upon:
- the proposed facilities mix (see section below);
 - the proposed location
 - the estimated costs of land acquisition, planning (including development contributions) and construction;
 - the demolition and clearance of the old centre;
 - the reduced operating costs of a new, more efficient centre; and
 - the additional income that can be generated;

The proposals would be viable, if the revenue improvement is used as a saving that can finance borrowing and an additional commitment of the Council's own resources are applied. Further explanation is provided in the Project Financing section.

5. Facility Mix

- 5.1 Following consideration of various facility mix options in January 2016, Cabinet approved a preferred mix that should be taken forward for further development.
- 5.2 Since that time, the approach to identifying a suitable level of facility provision has been refined by means of site visits by the Project Advisory Group, engagement with key stakeholders, public consultation, advice from the Council's consultants, soft market testing with leisure operators and the affordability of the scheme. In parallel with the Feasibility Study, DDC worked with The Sports Consultancy to develop an Indoor Sports Facility Strategy (ISFS) which was subject to public consultation and then adopted in July 2016. The Council's consultants were also asked to investigate viability of additional facilities that fall outside the scope of the ISFS, including unstaffed soft play, toning tables, a confidence water area, climbing wall, 3G football provision and full spa.

5.3 Table 1 shows the proposed mix alongside the current level of provision.

Activity Area	Current Leisure Centre	New Leisure Centre	More / less
Main pool	6 lane 25m pool	8 lane 25m pool	More
Spectator seating	140 person capacity	250 person capacity	More
Learner pool	12.5m x 7.5m static floor	15mx 8.5m with moveable floor	More
Sports hall	8 courts	4 courts	Less
Health & fitness	37 station	120 stations	More
Multi activity studio	1 x studio	2 x studios	More
Multi-purpose room (ground floor)	None	1 x room for meetings /parties/soft play/ crèche etc.	More
Spin studio	None	1 x studio	More
Squash court	3 x courts	2 x courts	Less
Interactive climbing	None	Included	More
Small sauna and steam room	Included	Included	Same
2 Five a side football pitches (Outdoor 3G)	None	Included	More
Café	Included	Included	Same
Parking Spaces	95 spaces	250 minimum	More
Spa	None	Ongoing investigation	To be confirmed

5.4 These proposals would result in the new Dover Leisure Centre having a much wider range of state of the art sport and leisure facilities, with an increase in the level of provision for most types of activity. The proposed facility mix would also deliver many of the strategic priorities set out by the ISFS. Soft market testing with leisure operators and informal feedback received from centre managers during leisure centre visits concluded that operators generally supported the proposed level of provision.

5.5 The key elements that were subject to debate at the request of Cabinet and during consultation were the sports hall and pool size. Other areas of interest include squash provision and the possible spa. These are considered below; further information regarding the rationale for the proposed facility mix is set out on page 27 of Annex 1.

Sports Hall

5.6 A clear recommendation was provided by The Sports Consultancy that a 4 court hall would be most appropriate. The ISFS considered detailed evidence regarding this type of facility, including Sport England's Facility Planning Model, which demonstrates that a 4 court hall is sufficient to meet needs now and in the future, provided that community access to certain school halls can be retained at current levels and increased at others. Progress is already occurring in this area, for example Dover Christ Church Academy recently opened a new sports hall in Whitfield, which is used regularly by community sports groups. DDC officers will

continue to engage with operators and liaise with key clubs to help facilitate increased community use of school facilities. In addition, given that much of the current activity within the hall at Dover Leisure Centre is five-a-side football, the provision of 2 purpose build artificial grass pitches will reduce pressure on the leisure centre sports hall. An 8 court hall would create a significant affordability gap¹ of approximately £2M (see Annex 1, page 26).

Main Pool Size

- 5.7 A clear recommendation was provided by The Sports Consultancy that an 8 lane, 25m pool would be most appropriate. The option of providing a 50m pool has been investigated in detail and is not recommended; the ISFS considered detailed evidence regarding this type of facility, including Sport England's Facility Planning Model, which showed that creation of a 50m pool would lead to over-provision of pool space in the district and therefore would probably be underused. This would create an affordability gap² of over £7M (see Annex 1, page 26). The Amateur Swimming Association (ASA) has advised that for a 50-metre swimming pool to succeed in East Kent, at least two local authorities would need to combine and rationalise their swimming pool stock before providing a jointly funded 50-metre swimming pool. The ASA has examined the proposed plans for Dover and supports the approach taken.

Squash Courts

- 5.8 The Sports Consultancy recommended that 2 squash courts would be an appropriate level of provision and is the most financially viable option as part of the overall facility mix.

Spa

- 5.9 The one significant area of the facility mix that has not been resolved is the possible provision of a full spa, which was been discussed by the Project Advisory Group on 30 June 2016 following site visits. In response, advice was sought from The Sports Consultants who prepared a report that was presented to the Project Advisory Group meeting on 26 July 2016. It concluded that:

'the addition of a Spa requires further work before a decision to include it can be made (at additional cost to the Council), this is likely to delay progress of the project, with no certainty over whether the outcome of the work will support inclusion of a Spa. If it is added, it is likely to represent a risk in terms of future income generation. It is not a facility with a clearly identified strategic need and, as a specifically designed space; it cannot easily be used for other activities, if it is not viable as a spa.'

- 5.10 The Sports Consultancy advised that *'The need and demand for the Spa would need to be investigated further by a specialist consultant'* and accordingly the Project Advisory Group recommended that specialist consultants should be engaged to

¹ The affordability gap comprises a combination of additional capital construction costs and increased operating costs caused by additional floor maintenance, heating and lighting costs etc. over the period of the project.

² The affordability gap comprises a combination of additional capital construction costs and increased operating costs caused by additional plant maintenance, heating, water treatment and lifeguarding costs etc. over the period of the project.

undertake a more detailed analysis on the feasibility of adding a full spa to the facility mix (the full minutes can be found at Annex 3). Members of the Project Advisory Group highlighted the need to consider the wider health and wellbeing agenda, and suggested that a spa facility could extend the attractiveness for the leisure centre beyond those who wished to take part in competitive sport.

5.11 If Members were minded to adopt recommendation 3b and proceed with further investigating the spa option, this would require the appointment of specialist consultants to advise on options. This will include:

- Potential design layouts;
- Determination of features ranging from premium to “value”;
- Whether facility is incorporated or standalone spa;
- The impact on existing layout proposals;
- Associated costs of construction and future operation;
- Income likely to be generated;
- Any other consequential effects on the wider scheme, such as the possible need for additional car parking;
- Impact on completion date;

5.12 Before completing the consultancy brief for the spa consultant, it is proposed that the Director of Environment and Corporate Assets will engage with the PAG to ensure it reflects Members’ wishes. On conclusion, a further report will be presented to Cabinet as soon as possible on the implications of including a spa within the scheme including presentation of a revised proposal and to seek approval of any recommendations required. In the meantime officers will progress the project where possible, including the appointment of lead consultants, in order to avoid undue extension to the project timetable and costs.

6. **Site Options**

6.1 The process of selecting a suitable site for the replacement centre has, as agreed, continued in parallel with the identification of an agreed facility mix and the viability appraisal. While a site at Whitfield was identified as the preferred location by Cabinet in January 2016 in response to the initial Feasibility Appraisal, this needed to be tested further to ensure it remains the preferred option. Having refined the facility mix for the new centre at Whitfield, the issue of site identification was re-examined; see page 29 of Annex 1 for further information.

6.2 The Whitfield site has the space to accommodate all the proposed facilities including outdoor football pitches and a significant increase in parking provision. In addition, it is owned by a willing seller at a price that still makes the scheme viable. The other site identified being worthy of further investigation (at Buckland) is not currently available for purchase.

6.3 Any planning application for a new leisure centre in Whitfield would need to be accompanied by a sequential test because it lies outside both the defined town centre and edge of town centre, and would therefore be contrary to Paragraph 24 of the National Planning Policy Framework. The sequential test would consist of a list of possible alternative sites accompanied by an assessment of their suitability and viability as an alternative option to the Whitfield site. An initial sequential test report is attached at Appendix 6 of Annex 1 and complete assessment will be presented to Cabinet prior to any planning application.

7. Consultation

- 7.1 An open public consultation was undertaken on the proposals for a new leisure centre in Whitfield between 4th and 24th July 2016. The format of the consultation was a series of public engagement events combined with an on-line questionnaire. Paper copies of the questionnaire were also available at the events. The consultation was widely promoted by means of advertisements in local papers, the Council's website, social media and posters provided to leisure centres, libraries and council offices. Email alerts were distributed through the Council's Keep me Posted initiative and Your Leisure's customer database. In addition, information boards were displayed at Dover and Tides leisure centres throughout this period.
- 7.2 The consultation events were organised at various locations and times of day to maximise contact with a range of user groups. Representatives from 152 key stakeholders were invited to attend a workshop on 7 July, including all consultees listed in Appendix 1 of Indoor Sports Facility Strategy plus all primary schools in the district, nineteen representatives from protected characteristic groups and three town societies. Public drop-in sessions were held at Dover Leisure Centre on 14, 16 and 19 July, at Whitfield Farmer's Market on 21 July and the Dover Community Regatta on 23 July. Members of the project team were present at all the consultation events to engage with consultees, answering any queries and encouraging members of the public to feedback their views by completing the questionnaire.
- 7.3 A high level of take-up was achieved both in terms of attendance at the events and written responses. Some thirty people attended key consultee workshops representing a range of clubs and interested groups including Dover Town Council, Sandwich Town Council, Whitfield Parish Council, Shepherdswell Parish Council, KCC, Your Leisure, Kent Cricket, Dover Lifeguard Club, Dover Table Tennis Association, Deal Gymnastics Club, Dover Gymnastics Club, Dover DASH, Aspen Disability Swim Group, Dover Trampoline Club, Vista Twisters and the Dover Society. All the public events were busy throughout and 673 questionnaires were completed, representing one of the highest response rates achieved in a DDC online public consultation.
- 7.4 The key finding of the survey was strong support for a new Dover Leisure Centre (89%) with the majority of respondents supporting the proposed site in Whitfield (69%) and 53% of consultees said they would use the new facility more frequently. The top three facilities most important to consultees were identified as the main swimming pool, health & fitness gym and the learner pool. Currently, most users travel to the leisure centre by car, with a similar number of respondents saying they would also use a car to reach a new facility in Whitfield. More details are presented at Annex 1.
- 7.5 Generally the informal feedback received during the events was positive; in particular support for the proposed investment was very strong amongst attendees at the Dover Leisure Centre and Whitfield farmer's market sessions. There was widespread recognition that improvements in the provision of indoor sports are necessary and the proposed facility mix was generally supported. Consultees liked the movable floor in the learner pool as this offered flexible programme of use, the clip n' climb and proposed free parking. Club representatives at the key stakeholders workshop were largely supportive and some provided specific information regarding their requirements, e.g. for lighting and flooring in the sports hall and accessibility features associated with the swimming pool. Dover Gymnastics & Vista Twisters discussed their need for access to bespoke facilities to aid their continued expansion and some clubs sought reassurances on booking programmes and access. The need

to target people with protected characteristics in programming terms was raised by DASH & Aspen Disability Swim Group. This response informed the Equality Impact Assessment, attached at Annex 3.

7.6 A number of concerns were raised by attendees at the consultation events:

- **50m Pool**
Whitfield Parish Council indicated that they would prefer a larger leisure centre with more facilities, including a 50m pool and Dover Lifeguard Club also felt a 50m pool would be good for Dover. As discussed with these groups, a 25m 8 lane pool is considered the best way of meeting the need for an improved community pool, which also caters for competition swimmers. Dover Lifeguard Club queried the specification of the pool; officers have therefore reviewed the proposed designs with a representative of the ASA Facilities Team who stated *'The draft designs considered at our meeting are what the ASA would define as a County Competition Swimming Pool... A pool of this size would accommodate all local district activities and also be suitable for county short course competition'*.
- **Sports Hall**
Concerns were raised by some users of the sports hall about the proposed reduction in size from 8 courts to 4 courts, particularly by participants in badminton, cheerleading and basketball. As detailed in the Indoor Sports Facility Strategy, evidence from various sources, including Sport England's Facility Planning Model, demonstrates that a 4 court hall is sufficient to meet needs now and in the future assuming that community access to sports hall space at identified schools is realised. In addition, the provision of 2 five-a-side artificial grass pitches will also reduce pressure on the leisure centre sports hall. However, it is recognised that early engagement between clubs and schools will help to increase community use of these currently under-used facilities and will build confidence amongst club members. To this end, a meeting between Vista Twisters and Dover Christchurch Academy is scheduled for September.
- **Squash**
Similarly, Squash & Racquetball attendees were disappointed with the reduction in squash provision from 3 to 2 courts, and a meeting has therefore been arranged with the Duke of York's Royal Military School in September, to explore possible club use of their 4 court facility.
- **Location**
Concerns were also raised about the proposed location. For example, the Dover Society have made it clear that they oppose the loss of a town centre facility and would like some kind of ongoing 'leisure facility' at the site of the existing leisure centre in Dover. Some elderly & disabled users expressed concern around connectivity from town centre to Whitfield in terms of the cost of buses and number of buses it would take to get to Whitfield from areas such as Maxton Elms Vale ward. A substantial minority of attendees at the Dover Community Regatta event were unhappy that the proposed site is outside the town centre, particularly those who access the existing leisure centre on foot.

Town centre sites have been considered during the development of the proposed plans, but it would not be possible to provide the improved level of sports facilities in Dover town centre. A transport plan will be required as part of any planning application and this will examine public transport links to the new leisure centre.

8. Project Procurement

8.1 If Cabinet agrees to proceed, then three distinct areas of work will be procured:

- Consultancy team
- Contractor
- Operator

Procurement of Consultancy Team

8.2 The Sports Consultancy was initially appointed in July 2015 to undertake feasibility work (RIBA stage 1) to provide an initial review of options and a financial business case. This review also explored the options for investment that would sustain leisure provision at the level required to meet local demand now and in the future.

8.3 Recommendations were approved by Cabinet on 11 January 2016 (CAB 88), including advancing the project into the next phase of detailed feasibility work (RIBA Stage 2). The Sports Consultancy was appointed to lead the project. This enabled a continuity of approach as work continued on the development of an outline scheme.

8.4 The work has also involved a number of sub-consultants, including:

- Hadron Consulting Project Management
- GT-3 Architects Architectural Services
- Faithful & Gould Cost Consultant
- Engenuiti Structural Engineer
- BDP M&E Consultant
- DHA Planning Planning Consultant

8.5 In addition the Council has directly appointed Lloyd Bore to undertake environmental surveys in support of the planning work.

8.6 It is now necessary to appoint a consultancy team to take the project through the design and construction phases to completion. The successful delivery of a project of this scale is inevitably complex and will be supported by the expertise of a range of specialist consultants, covering both the specialisms noted above and also including, landscape architect, pool design and transportation planning. These will need to be appointed under an OJEU compliant process.

8.7 There are several options for appointment of the consultancy team, advantages and disadvantages of each approach are set out in Table 2 below;

Table 2: Consultant Team Appointment options

Single Appointment through a lead consultant	
Advantages	Disadvantages
<ul style="list-style-type: none">• Least time consuming option.• Single point of responsibility.• More likely to get a cohesive team.• Lead consultant has contractual control over other consultants and can exert more control over the	<ul style="list-style-type: none">• Not as much opportunity to pick and choose team members, although some frameworks do have this option.• Can be difficult to change individual consultants if they don't perform.

performance of the team.	<ul style="list-style-type: none"> Project manager and cost consultant is not completely independent of the Design Team and other consultants.
Separate Appointments	
Advantages	Disadvantages
<ul style="list-style-type: none"> Total flexibility and ability to appoint preferred team members. 	<ul style="list-style-type: none"> More time consuming to tender, put legal agreements in place and manage. No guarantee the individual consultants will work well as a team. No single point of contact/responsibility for consultant team.
Hybrid approach; separate teams for project management and design	
Advantages	Disadvantages
<ul style="list-style-type: none"> Able to select preferred PM and QS, and separate design team. PM and QS is independent of the design team. PM can be brought on board quickly to put delivery strategy in place and run the design team tender. Single point of responsibility for the design team. 	<ul style="list-style-type: none"> More time consuming than a single appointment. Ideally the PM appointment would be made first, which lengthens the overall timescale to appoint the entire consultant team. Design team still comes as a package. No guarantee PM and design team will work well together, but this is improved if the PM is involved in the selection of the design team.
Appointment through the contractor	
Advantages	Disadvantages
<ul style="list-style-type: none"> The contractor will help ensure that the design is coordinated and input on buildability The contractor will manage the design team. Some flexibility to select the preferred design team. 	<ul style="list-style-type: none"> The client can feel removed from the design process, and unable to fully influence the design team. Contractor will often add a mark up to the design fees. Difficult to separate contractually if changes are required to the contractor or the design team.

8.8 A single appointment through a lead consultant is recommended. In making such an appointment we can either offer the opportunity on an open tender basis or work through one of the Framework contracts.

8.9 The National Asset Management, Surveying and Design Services (NAMSDS) Framework developed by Scape³ offers the Council the quickest and most efficient approach to procuring the consultancy team. As Faithful & Gould (F&G) are currently the sole framework partner, making an appointment through this framework would enable the retention of the existing consultancy team, which will provide project continuity. The framework covers the appointment of the design team, e.g. architect,

³ Scape Group Ltd is a local authority owned built environment specialist offering a full suite of national procurement frameworks and innovative design solutions originally established by Nottinghamshire County Council.

engineer, and other members of the consultant team can be appointed through F&G, including Project Manager. The role of the Project Manager will include overseeing the appointment of specialist consultants. Professional fees have been budgeted to reflect this arrangement.

- 8.10 The NAMSDS Framework came into operation on 1 October 2012, following the conclusion of the procurement process undertaken by Scape and the decision to award the contract to Faithful + Gould. The contract duration for the framework was four years and the NAMSDS Framework is due to expire on 30 September 2016 and so subject to Cabinet and Council decisions prompt action will need to be taken to appoint the team.
- 8.11 If the Council doesn't appoint under this framework before its expiry, then it would need to undertake its own OJEU compliant procurement process. Alternatively, the Council could potentially consider making an appointment through Scape's newly launched four-year Built Environment Consultancy Services (BECS) framework, which features a single contractor; Perfect Circle, a consortium comprising the contractor's Gleeds, Aecom and Pick Everard. However, both scenarios would result in significant delays to the project and officers consider that there are considerable advantages in retaining continuity with F&G.
- 8.12 Permission is therefore sought to appoint F&G under this framework before 30 September 2016. The appointment will not be drawn upon unless and/or until the project proceeds, so there is no financial risk for the Council in taking this step, but it does mitigate the potential for significant delays. Annex 4 provides further information on the expiry of the SCAPE Framework.

Contractor Procurement

- 8.13 There are advantages to be gained by early contractor involvement in the development of the detailed designs and specifications for the project.
- 8.14 Appendix 12 to the Feasibility report (Annex 1) includes a detailed analysis of the options available to the Council, which include; traditional tendered contract, management contract, single stage design & build, two stage design & build, fixed price, guaranteed maximum price and target cost/shared risk.
- 8.15 The consultants recommend that a fixed price approach where the design and the client requirements are fully detailed will provide the Council with a high degree of cost certainty and risk transfer. It should be noted that fixed price does not mean final price. Costs can change and/or risk can add to project costs.
- 8.16 The Contractor procurement process will of course need to be OJEU compliant, which can be a lengthy and administratively costly process; however there are several contractor frameworks available, which will minimise delays. The consultants recommend the Southern Construction Framework (SCF)⁴ which is similar to the Scape Framework, with broadly similar rates, but there is more than one contractor on the framework and therefore an element of competition will be achieved.
- 8.17 The benefits of using the SCF are:
- Fast access to market – considerably quicker than full tendering

⁴ The Southern Construction Framework (SCF) is a collaboration between London Construction Programme (LCP) and the SE7 to join up existing SW, SE and London frameworks.

- A proven, well established framework
- Certainty – high levels of time and cost predictability
- Competitive process – delivers value
- Locally focused / adaptable to local requirements
- Shared best practice across suppliers
- Contractor led continuous improvement
- OJEU compliant

8.18 Annex 1 Appendix 12 sets out in detail how contractors are appointed to the framework via a two-part mini competition process, based on quality and fee bids.

8.19 As part of the Feasibility study, The Sports Consultancy has undertaken soft market testing, with the contractors on the SCF. A summary document was issued to the contractors via the framework manager to provide an overview of the project, including the following project information:

- Overview of work completed to date
- Proposed facility mix
- Estimated capital costs
- Initial floor plans designs and area schedule
- Procurement route
- Indicative programme.

8.20 Of the seven contractors on the framework, three have expressed a strong interest in working on the project, each of whom are active in the south east and the Dover region, with a strong track record of delivering leisure centres similar to this project. These results support the recommendation to use the Southern Construction Framework.

9. **Operator Procurement**

9.1 The recommendation to build a new facility will require new operating arrangements.

9.2 A high level appraisal of leisure management options was undertaken by the consultant to support the detailed feasibility report. The available options are as follows:

- (a) Option 1 - External delivery via outsourcing to an existing trust or a leisure operator. There are two principal types of organisations, both of which benefit from the tax advantages of a trust set-up; existing charitable trusts and private sector organisations with their own trust structures (hybrid trusts).
- (b) Option 2 - In-house management. This entails direct management by the council employing all staff, retaining all income and retaining responsibility for all expenditure with continued reliance on the Councils central support functions such as legal, accountancy and human resources.
- (c) Option 3 - External delivery via creation of new leisure trust. The Council could choose to set up its own trust. There are a number of different social enterprise models to choose from that all fall under the banner of Non-Profit Distributing Organisation.

- 9.3 The suitability of each option was scored against a range of criteria. Results are presented in Table 3 below, using a scale of 0-3, with 0 representing the lowest fit with the criteria and 3 the highest fit.

Table 3; Appraisal of Leisure Management Options

Criteria	Option 1	Option 2	Option 3
	External Delivery via out sourcing to existing Trust or Leisure Operator	In - House	New Trust
Level of Council influence	1	3	2
Ability to transferring risk	3	0	1
Strength of financial covenant	3	3	1
Potential for initial savings (NNDR or VAT)	3	0	3
Potential for sustainable operational savings	3	1	2
Flexibility for future asset strategy and adding additional services	1	3	1
Improvement in service delivery	3	0	1
Scope for community partner involvement	1	3	2
Scope for investing surplus services	2	1	3
Total	20	14	16

- 9.4 Following this review, Option 1- external delivery via outsourcing to a leisure operator /existing trust is recommended. The key strengths of this option compared to others are:

- The ability to transfer and manage risk
- The strength of the financial covenant of established operators
- Potential for initial savings (NNDR and VAT)
- Potential for sustainable operational savings
- Improvement in service delivery
- Expertise in increasing revenue via increased recruitment and retention of members

- 9.5 The current leisure centre is managed by Your Leisure (YL) under a lease which is due to end on 31 March 2021, and is supported by a funding agreement. A similar arrangement is also in place for Tides Leisure Centre, Deal including the Indoor Tennis Centre. YL has managed the Council's leisure centres since 2001, firstly as Vista Leisure, which was formed in 2001, and more recently as YL following the merger with Thanet Leisure Force in 2013. Although the Council acknowledges the improved service leisure delivery this has brought to the District, the Council's

relationship with YL is based on a lease rather than a contract and there is no legal obligation on the Council to automatically offer YL a lease on the new centre.

- 9.6 As part of the Feasibility Study, The Sports Consultancy undertook a soft market testing exercise with leisure operators. Nine of the leading operators in the market, including YL, were asked for their views on the proposed facility mix and their preferences concerning the details of the potential management contract. Eight of the nine operators expressed an interest in tendering for the contract to manage the new Dover Leisure Centre, demonstrating that there is significant interest in the new centre.
- 9.7 Subsequent to the soft market testing exercise, YL submitted a proposal which set out a business case for staying with YL as operators at the new leisure centre, rather than tendering the leisure management contract. The proposal examined the benefits this would bring to the new Dover leisure centre and Tides, and the district in terms of service and future investment levels. It has been reviewed by members of the project team and was circulated to cabinet members. For reasons of commercial sensitivity the proposal is included in the confidential part of the Agenda and attached at annex 6.
- 9.8 The Financial Business Case supporting the development of a new leisure centre places significant weight on achieving an improved revenue position to help fund facility developments. Currently annual funding of £265,000 is paid to YL to support the operation of leisure services in the district. This is made up of £300k funding for Dover Leisure Centre and Tides Leisure Centre, offset by £35k contribution from YL towards Deal Tennis Centre. The consultants advise that it will be possible to achieve a payment by the contractor to DDC for the right to operate the new Dover Leisure Centre which should provide a significant positive turnaround to the annual operating cost of the centre. A competitive procurement process should be conducted to appoint an operator in order to secure this level of improvement in the financial performance at the new facility.
- 9.9 Appointment of the most suitable operator is clearly key to the success of the project. Early procurement of the leisure management contract, in parallel with the construction contract, will ensure that the commercial position for the operator is known before entering into the construction contract. It would also enable the design team to work with the future operator as they finalise the design details. Notice will therefore have to be given to YL, at the appropriate time, to terminate the current lease on the existing Dover Leisure Centre.
- 9.10 The soft market testing also investigated whether the operators would be interested in a combined contract to manage both the new Leisure Centre and Tides. There was strong support for this proposal.
- 9.11 Whilst this report is focused on Dover Leisure Centre, members will be aware through the financial information contained within the Medium Term Financial Plan (MTFP) that Tides is also likely to require significant capital investment over the coming years. Outline proposals have been put forward by YL involving the construction of a new fitness suite at a cost of circa £2M. The soft market testing exercise revealed that a majority of the operators contacted would be able to provide significant finance to enable enhancement of the facilities if the Council required investment.
- 9.12 The most suitable length of any management contract has not been investigated in detail yet, but operators contacted through the soft market testing exercise are

currently seeking contract lengths of at least 10-15 years. Contracts of this length give greater financial certainty to Councils and operators alike and help maximise the commercial offer from operators.

- 9.13 It is recommended that a competitive procurement process should be conducted to appoint an operator for both the new leisure centre and Tides. As a consequence, in addition to the notice given to YL regarding termination of the lease on the existing Dover Leisure Centre, notice will also be given at the appropriate time to terminate the current lease at Tides Leisure & Indoor Tennis Centre. This approach would allow the Council to seek capital investment from the operator to improve facilities at Tides as part of the joint contract. It should be noted that such an arrangement would have to take account and balance any impact that this might have on the revenue position.
- 9.14 Procurement of an operator typically takes 12 months to complete and the Council will require external leisure consultant and legal support. The Sports Consultancy has prepared a proposal for the management and tendering of the leisure management contract for Dover Leisure Centre and Tides Leisure & Indoor Tennis Centre and to provide ancillary legal services.

10 Financial Resource Implications

Project Costs

- 10.1 The anticipated cost of the new facility is estimated to be £26.4m. The addition of a spa facility is currently thought to add in the region of £1.5m to the capital costs, however further work is required to assess this option and provide an estimated costing and business case.

Project Funding

- 10.1 As noted at paragraph 4.2 above, the report to Cabinet in January quoted a draft figure of £19.9m for the new centre. This was a draft figure, based on the initial proposals and facility mix at that time, and required more detailed work and analysis. Further analysis has led to an increase in estimated construction costs of £2.4m, due to revised estimates for the internal and external works based on the revised facility mix and more detailed design proposals. Other items which make up the full cost of the project include the land purchase, consultant fees (e.g. for design), preparation of a planning application, construction, financing costs, demolition of the existing leisure centre and site clearance.
- 10.2 It is proposed to finance the new leisure centre from a combination of grants, borrowing (funded from the forecast improved revenue position), capital receipts (from the disposal of the existing leisure centre site) and Council reserves.
- 10.3 The existing leisure centre is managed by Your Leisure and at present the Council provides funding to support the provision of services at both Dover & Tides Leisure centres. Initial soft market testing with leisure providers has indicated that the new centre (excluding a spa) is likely to generate an improvement in the Council's revenue position of at least £850k per annum. This turnaround is key to the financing of the new centre.

- 10.4 It is currently forecast that borrowing from the Public Works Loan Board (PWLB) will be undertaken at no more than 2.5%⁵ for a period of at least 40 years, on an annuity basis. At this level the annual payments (interest and capital) would equate to £40k per £1m borrowed per year. A revenue turnaround of £850k would therefore fund £21.3m of borrowing with no impact on the General Fund revenue budget.
- 10.5 Initial discussions with Sport England indicate that funding of c£1.5m⁶ may be available to support the project and our next meeting with them is scheduled for later this month. It is assumed this external funding and the capital receipt from the future sale of the existing DLC site would also be applied to the project funding.
- 10.6 The remaining funding for the project will be met from earmarked revenue reserves, for which up to £7m has currently been allocated in the capital programme of the Medium Term Financial Plan for 2016/17, funded from the District Regeneration and Economic Development (DRED) Reserve.
- 10.7 The total estimated funding with borrowing options are summarised below:

Funding	Maximum borrowing Option £000	Minimum Borrowing Option £000	Comments
Sport England	1,500	1,500	Estimated grant
Borrowing funded from revenue turnaround	21,350	17,150	PWLB at 2.5% over 40 years @ £40k per £1m, assuming £850k revenue turnaround
Capital Receipt from DLC site	750	750	Estimated
DRED Earmarked Reserve	2,800	7,000	As per the MTFP 2016/17 capital programme.
Total	26,400	26,400	

- 10.8 In the table above the “maximum borrowing option” assumes that all of the savings from the revenue turnaround have been applied to service the borrowing. In the “minimum borrowing option” all of the revenue reserves included in the capital programme for financing this project have been applied, leaving an improved General Fund revenue budget position with an annual saving of circa £130k to contribute towards the council’s budget savings target.
- 10.9 The decision on the split between borrowing and use of reserves is delegated to the Director of Finance, Housing and Community in consultation with the Portfolio Holder for Performance and Resources. The decision will take into account the prevailing interest rates from the PWLB and the European Investment Bank, anticipated future interest rates and the return on the council’s investments (the

⁵ Based on the PWLB estimates provided by the 10 August 2016 Capita Asset Services daily bulletin

⁶ Any amendment to this figure will be offset by an equivalent adjustment in the level of funding by DDC from borrowing or earmarked reserves.

“opportunity cost”), the future availability of reserves, the actual saving from tendering the management of the new centre and the impact on the revenue budget.

Sensitivity and Risks

- 10.10 The consultant’s report includes a detailed Risk Register covering issues such as cost, design, planning consent, programme, site ownership, utilities etc. which can be found at Annex 1, Appendix 11. With regard to financial risks, the figures quoted above are all estimated based on information available at the time of producing this report. The table below summarises the key financial risks & sensitivities that could impact the final expenditure and funding positions.

Variable	Range	H,M,L	Comments
Construction Costs	+/- £2m	M	The current projections include a significant element of contingency but there remains uncertainty on the capital costs. The costs have been calculated on a prudent basis and so it is currently assumed that the project will be delivered well within the available resources but this can only be demonstrated once the tendering process is undertaken.
Interest Rates	1.5% - 3.5%	M	For every 0.5% change in PWLB interest rates the borrowing that can be funded from the revenue turnaround will change by approximately £1.5m.
Term of borrowing	30 – 50 years	L	The term of the borrowing could be revised resulting in an amended annual repayment, this should be considered in line with the anticipated life of the leisure centre and future plans.
Leisure provider income	+/- £100k pa	H	The soft market testing undertaken by the consultants has provided an estimated figure for the expected income from leisure providers, however there remains uncertainty in this value until a provider is contractually committed.
Development contributions	+/- £250k	M	Until the planning process is undertaken there is uncertainty as to the level of development contributions that will be required.
Sport England Funding	+/- £500k	M	The level of Sport England funding may not be at the value currently anticipated.

Variable	Range	H,M,L	Comments
Lifecycle costs	£250k pa	M	The current figures assume DDC will remain responsible for lifecycle costs (the periodic replacement of facilities) to provide a direct comparison to the existing position. If the leisure providers are asked to cover these costs there is likely to be a reduction in the level of income they will give the Council for provision of services however this would also reduce the investment needed by the authority in future years.
Additional facilities	Per £1m expenditure	L	If additional facilities are considered for inclusion in the project that cannot be funded from an improved revenue position with operators they will need to be funded through either savings in the General Fund revenue budget or through raising additional Council Tax Income. For every £1m additional borrowing undertaken an additional £40k per annum will be required to fund the interest & loan repayments. To fund this increase through Council Tax income would require an additional increase (over and above the increases forecast in the current MTFP) in the Band D rate of 0.6% (£1.10) for every additional £1m spent. Any increase over the current 2% capping limit would require a district referendum to implement.

11 Project Timetable and Resources

- 11.1 A detailed outline programme for the delivery of the project has been prepared and sees construction commencing towards the end of 2017 with the new leisure centre being completed by the first quarter of 2019. This is an ambitious working programme with some dates likely to alter as the project develops and it is advised to be regarded as a target timetable. It will require the Council to move forward promptly and take a series of important decisions to sign off the project at key milestones without making significant changes. Key project milestones are attached at Annex 5.

12 Corporate Implications

- 12.1 Comment from the Section 151 Officer: Finance have been consulted in the production of this report and have no further comments to add. (HL)
- 12.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make. (JH)

- 12.3 Comment from the Equalities Officer: The Equality Officer has been consulted during the development of this report and has made suggested recommendations to address the equality impact. Members are reminded that, in discharging their responsibilities they are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

13 Appendices

- Annex 1 Dover Leisure Centre Feasibility Study – August 2016 (for reasons of commercial sensitivity redactions on pages 12, 13, 16, 62-66, 74, Appendix 7 including Appendix A, Appendix 8 and Appendix 9 and Appendix 12)
- Annex 2 Equality Impact Assessment
- Annex 3 Project Advisory Group minutes of 30 June 2016 and 26 July 2016
- Annex 4 Scape Framework Expiry Update
- Annex 5 Key Project Milestones
- Annex 6 Your Leisure Proposal – The Management of Dover Leisure Centre & Tides Indoor Tennis Centre (for reasons of commercial sensitivity the proposal is included in the confidential part of the Agenda).
- Annex 7 Un-redacted Dover Leisure Centre Feasibility Study – August 2016 (for reasons of commercial sensitivity the un-redacted version of this study is included in the confidential part of the Agenda).

14 Background Papers

None.

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