

---

<b>Subject:</b>	<b>TIDES LEISURE CENTRE</b>
<b>Meeting and Date:</b>	<b>Cabinet – 2 July 2018</b>
<b>Report of:</b>	<b>Roger Walton, Director of Environment and Corporate Assets</b>
<b>Portfolio Holder:</b>	<b>Councillor Trevor Bartlett, Portfolio Holder for Property Management and Environmental Health</b>
<b>Decision Type:</b>	<b>Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>

---

**Purpose of the report:** To update Cabinet on the findings of an Options Appraisal regarding Refurbishment and Extension of Tides Leisure Centre, and to seek Cabinet agreement on whether, and how best, to proceed, in particular agreeing appropriate next steps to develop the project.

To seek approval for expenditure of £610,000 on plant refurbishment works to address essential maintenance issues at Tides, and for further development of the preferred options.

To seek approval for allocation of £100,000 to address any emergency works that may arise while the preferred options are investigated.

---

**Recommendation:** Cabinet is asked to:

1. Consider the options set out in the report attached at Appendix 1 for the future provision of wet and dry indoor leisure facilities at Tides, and agree to continue investigating two preferred options.
2. Approve £710,000 from the Tides Leisure Centre Refurbishment Project included in the Medium-Term Financial Plan as follows:
  - £600,000 for urgent plant refurbishment works to address essential maintenance issues at Tides;
  - £10,000 to support the next stage of project development through further investigation of preferred options;
  - £100,000 provision to meet the cost of any emergency works that arise while the preferred options are being investigated.
3. Delegate authority to the Director of Environment and Corporate Assets, in consultation with the Portfolio Holder for Property Management and Environmental Health, to accept the best value for money tender for urgent plant refurbishment works.

---

- 
4. Authorise the Director of Environment and Corporate Assets, in consultation with the Portfolio Holder for Property Management and Environmental Health, to engage with prospective partners and funders on the opportunities for financing the preferred options.
- 

## 1. Summary

- 1.1. Tides Leisure Pool, Deal was opened in 1987 and given that much of the mechanical and electrical plant is now more than 30 years old, is likely to require significant capital investment over the coming years. Without such investment there is an increasing risk of frequent or permanent pool closure because a number of essential plant items are reaching end of life.
- 1.2. In addition, the fitness gym is small by current standards and is located in the basement in a non-purpose built environment that partly consists of a converted former health suite. A sum of £2.2M has been allocated within the Council's Capital Programme for refurbishment works, which could be used to address a number of the plant requirements, but that would not resolve the shortcomings of the fitness suite. A project to expand and improvement of the fitness suite would increase income to the centre, and therefore could be partly or even fully self-financing. Rather than attempt to address the plant and fitness suite issues piecemeal it was considered prudent to undertake a holistic investigation of the best way to proceed, by means of an initial feasibility appraisal of options.
- 1.3. The appraisal undertaken identified two preferred options of either (i) creating enhanced leisure water and dry side expansion (option 2B) or (ii) demolition and construction of new wet and dry facilities (excluding the sports hall and tennis centre). The refurbishment option has a lower capital cost, but is likely to result in a less efficient and lower quality facility than a new build solution offers, and the risk of unforeseen complications is high. The second option of demolition and re-build has a significantly higher capital cost but would create a more efficient and higher quality facility that is likely to last much longer than the refurbishment option and therefore can support a higher level of borrowing. Unfortunately, even taking the Medium Term Financial Plan (MTFP) allocation into account the appraisal identified an estimated funding gap of £2.3M and £2.4M for these options respectively.
- 1.4. Whilst no clearly superior, affordable option has emerged a solution needs to be found to secure the long term future of wet and dry facilities at Tides given the importance of these facilities to the local community, which was recognised within the Council's Indoor Sports Facility Strategy.
- 1.5. Based on the work undertaken so far it is clear that the two preferred options are worthy of further consideration, incorporating investigation of possible funding sources to bridge the affordability gap. For example, the current review of the Local Plan may present an opportunity to secure future development contributions. Cabinet are therefore requested to authorise further investigation of the preferred options.
- 1.6. In addition, whilst this work continues, Cabinet are asked to authorise the funding of urgent plant refurbishment works, so that Tides can continue to function while the longer term options are explored.

## 2. Introduction

- 2.1. The construction of Dover District Leisure Centre is currently progressing on programme and on budget, with the new facility scheduled to open early February 2019. Members will recall that the Council's Indoor Sports Facility Strategy (adopted July 2016) provided evidence to support the facility mix of the centre and underpinned the successful application to Sport England for a grant award of £1.5m. The ISFS identifies progression of proposals for improvements of wet side and health & fitness facilities at Tides Leisure Centre as Strategic Priority 4.
- 2.2. Tides Leisure Pool in Deal was constructed in 1987; the original building comprises several water features, a terrace reception, café, changing area, a fitness gym and former bar area that is currently mainly used for group exercise classes. Subsequently two major expansions have been added; a four-court sports hall in 2002 and a four-court indoor tennis centre in 2011. The facility is likely to require significant capital investment over the coming years in particular to help reduce the risk of frequent or permanent pool closure given that a number of essential plant items are reaching end of life. In addition, the fitness gym is small by current standards and is located in the basement in a non-purpose built environment that partly consists of a converted former health suite.
- 2.3. Over the last year, Tides Leisure Centre has experienced some exceptionally challenging and recurring plant issues which forced temporary pool closures, one prolonged closure and one pool evacuation. It is clear from a recent specialist mechanical electrical assessment that essential plant items are failing and need to be replaced before winter 2018/19 to avoid repeating circumstances. The Council has set aside £2.2m in the Capital Programme to address essential plant maintenance and ensure the building can operationally function across the next five to ten years.
- 2.4. Tides Leisure Centre is operated by Your Leisure (YL) under a lease agreement that runs until 2025. In 2014 YL began investigating the business case for the extension of health and fitness facilities, using externally sourced investment on the assumption that the improvement in net revenue will be equal to or greater than the cost of the loan. Repayment of the loan would have been underwritten by the Council. Proposals drawn up by Alliance Leisure included a 70 station gym, one fitness studio, one toning studio and dry changing room alterations. Such proposals offer some benefits in terms of increased capacity for fitness users and increased income at the centre, but would fail to address the underlying plant issues, the building's inefficient circulation layouts and its deteriorating fabric.
- 2.5. Rather than attempt to address the wet and dry side improvements in isolation, it was considered sensible to commission an initial feasibility appraisal of options that holistically investigates the best way to proceed. In September 2017 the Council appointed The Sports Consultancy in partnership with GT3 Architects, Faithful+Gould and Hadron Consulting to undertake an initial feasibility appraisal of options for delivering improvements at Tides Leisure Centre. The appraisal takes into account the need for improvement of both wet side and health & fitness facilities by examining a range of options from refurbishment through to new build. In commissioning this study, the Council recognised that as the Dover District Leisure Centre project progresses focus is increasingly drawn to the condition of Tides Leisure Centre.

### **3. Options Appraisal**

- 3.1. The Sports Consultancy liaised with officers and the operator, Your Leisure, to define options that include various levels of refurbishment and improvement. In total eleven options were examined, ranging from a minimum, refurbishment of the dry side only

through to a maximum, new build of the wet side and health & fitness suite. The capital cost was estimated for each option, and the affordability of each option was analysed by setting the build cost against projected income, running costs and applicable borrowing period.

- 3.2. An executive summary of the options appraisal report is attached at Appendix 1. Unfortunately, apart from the minimum option of Dry Side Only, the business appraisal of each of the options considered has not identified an affordable option in terms of revenue turnaround together with the capital resources currently allocated. The Dry Side Only option is not recommended because it does not address the underlying plant issues, and therefore would not be sustainable as a standalone project.
- 3.3. Setting aside the current funding gap, two preferred options have been identified; 'Enhanced Leisure Water + Option 2B Dry Side' and New Build. The capital cost of the New Build option is estimated to be in excess of £3m greater than the other preferred option, but the funding deficit for both is similar at £2.4m for New Build and £2.3m for Enhanced Leisure Water + Option 2B Dry Side. This is because a refurbished building could last for 20 years, while the New Build would be likely to last for at least 40 years and could therefore support a larger loan.
- 3.4. The study sought to establish a clear business case to inform the Council's decision making processes. This has been achieved in that the two most affordable options have been identified for securing the long term future of Tides Leisure Centre. One of these options is to rebuild the wet and dry side facilities (excluding the sports hall and tennis centre), which was not originally anticipated as preferred option. However, New Build would offer a number of benefits including the opportunity for the Council to provide a higher quality, more efficient, leisure centre for the community of Deal and the wider district, with a lifespan of at least 40 years. Another advantage is that all programme and cost risks can be more easily managed on a New Build project; there is an inherently higher risk involved in refurbishment of leisure buildings such as this, with construction costs for such projects often being above expectations due to limited competition from building contractors when the project is tendered.

#### **4. Urgent Plant Works**

- 4.1 As the findings of the Options Appraisal emerged, it became clear that the Council required an objective assessment of the immediate need for, and cost of, addressing the essential works required for the mechanical and electrical plant at Tides. In March 2018 ME Engineers were appointed to undertake this specialist work, having previously acted as mechanical and electrical engineering consultants for the Dover District Leisure Centre project. The brief specified that ME Engineers should consider whether any plant parts currently located at Dover Leisure Centre could be re-used at Tides; whether any new plant purchased now could be reused in a possible longer term future development and to estimate the extent of any benefits that could be achieved through reduced energy consumption.
- 4.1. The assessment identified the extent of the works required which includes: replacement of boilers to avoid complete failure; works to electronic control panels to prevent localised burn outs (which caused a centre closure on one occasion); redesign of chemical dosing facilities & store area to meet essential safety standards and further detailed investigational work to continue examining pool water leakages. It is estimated that £600k is required from the allocated budget in the capital programme to procure and deliver these specialist works. Furthermore, to reduce

the risk of any closures during winter 2018/19 immediate action was taken to commence the preparation of the detailed design specification and tender documentation in April to allow sufficient time for procurement of specialist contractors, lead in time for ordering equipment and to undertake the works.

- 4.2. On 20<sup>th</sup> April a decision was taken between meetings (DPH04) to allocate £50,000 of the Tides Refurbishment Provision included within the Medium Term Financial Plan for the appointment of specialist consultants to develop an informed brief for potential contractors. ME Engineers were appointed undertake the project, which is underway and will be complete around the time the report is presented to Cabinet.
- 4.3. Initial results indicate that although no plant parts are re-usable from Dover Leisure Centre, there are some savings achievable on capital expenditure against a possible future longer term project of circa £75,000. It is also estimated that consumption savings of 25% on gas, 10% on water & 5% on electricity can be achieved at Tides Leisure Centre compared to the existing operational hours & use.
- 4.4. The completion of these urgent works should ensure that the building can continue to function, reducing the risk of temporary or permanent closures, while further research is undertaken into long term options for the centre. Members are therefore asked to approve the procurement of urgent plant works with continued assistance from ME Engineers to evaluate tenders and monitor delivery. Cabinet is also requested to grant the Director of Environment & Corporate Assets delegated authority to appoint the preferred specialist contractor(s) as part of tender procurement process.
- 4.5. It should be noted that other defective plant and building risks such as the deteriorating flume & wave machine; continual uplifting pool floor tiles and leaking roof have not been included within the assessment of the mechanical and electrical plant. In addition, Your Leisure have drawn attention to increased water usage which may indicate that there is a water leak in the pool zone, possibly from circulation or feature pipework. Officers have investigated this concern by monitoring pool levels, but the results were inconclusive. Therefore a company specialising in pool diagnostics has now been appointed to carry out an initial test and inspection. The results of this work should be available at the time the report is presented to Cabinet.
- 4.6. These defective plant and building risks will be monitored by officers and the operator. Approval of a contingency of £100k is recommended, because this would allow the Director of Environment & Corporate Assets, in consultation with the Portfolio Holder for Property Management and Public Protection, to address unforeseen urgent works in a timely manner while the preferred options are being investigated. If any major issues arise these will be reported to Cabinet. Routine repairs will continue to be funded by the Corporate Maintenance Revenue Budget.

## **5. Next Steps**

- 5.1. Neither of the preferred options identified within the options appraisal is currently affordable, but both are worthy of further investigation to determine whether the funding gap can be reduced or closed. For example as New Build was not anticipated as a favourable option at the start, the options appraisal did not consider location. In addition, the demand for facilities and business modelling was based on demographic predictions arising from the adopted Local Plan. The Council is preparing a new Local Plan, which is likely to include new housing allocations and it would be worthwhile revisiting the business case once the associated demographic predictions are known.

- 5.2. It is proposed that the Options Appraisal is refreshed taking into account development proposals put forward through the Local Plan once they emerge. Noting also that New Build presents an opportunity for examining whether Victoria Park is the best location for indoor leisure provision, and this could be explored through the current revision to the Local Plan. The refreshed Options Appraisal would also provide an opportunity to review whether the facility mix should be re-examined. The results will be reported back to Cabinet in early 2019.

## **6. Identification of Options**

### Project Development

- 6.1. Option 1 Agree to continue investigating two preferred options, approve £10k from the Medium Term Financial Plan to support the next stage of project development and engage with prospective partners and funders on the options for financing the project.
- 6.2. Option 2 Not to agree to continue investigating the two preferred options

### Plant Refurbishment

- 6.3. Option 1 Allocate £600k from the Medium Term Financial Plan on urgent plant refurbishment works to address essential plant issues at Tides and delegate authority to the Director of Environment and Corporate Assets in consultation with the Portfolio Holder for Property Management and Environmental Health to accept the best value for money tender.
- 6.4. Option 2 Not to allocate £600k from the Medium Term Financial Plan on urgent plant refurbishment works to address essential maintenance issues at Tides.

### Other Defective Plant and Building Risks

- 6.5. Option 1 Allocate £100k from the Medium Term Financial Plan to use as required to address emergency works that arise while the preferred options are being investigated
- 6.6. Option 2 Not to allocate £100k from the Mid Term Financial Plan to be used as required to address emergency works that arise while the preferred options are being investigated

## **7. Evaluation of Options**

### Project Development

- 7.1. Option 1 This is the preferred option because although neither of the preferred options within the options appraisal are currently affordable, they are worthy of further examination, including investigation into possible sources of additional funding.
- 7.2. Option 2 This is not recommended because the fabric of Tides Leisure Pool is likely to require significant capital investment over the coming years and if the Council does not develop a coherent approach to address this need it is likely to result in an unnecessarily high level of spending on emergency works and possibly eventual closure of the facility.

### Plant Refurbishment

- 7.3. Option 1 This is the preferred option because it will reduce the risk of unplanned pool closures during winter 2018/19 and allow Tides to continue to function while the long term options are explored.
- 7.4. Option 2 This is not recommended because it would result in a high, and increasing, risk of unplanned pool closures.

### Other Defective Plant and Building Risks

- 7.5. Option 1 This is the preferred option because it would allow the Council to address emergency works in a timely fashion while the long term options are explored.
- 7.6. Option 2 This is not recommended because it may well give rise to unplanned closures while a report is prepared for members regarding relatively minor works, which would cause breaks in provision of service to residents and compensation payments to the operator.

## **8. Resource Implications**

- 8.1. £2.2m has been allocated within the Council's capital programme for refurbishment works at Tides Leisure Centre. Expenditure of £50,000 has already been approved to fund preparation of a detailed project specification for the urgent refurbishment works. At this stage it is anticipated that these urgent works will cost up to £600k, but the exact price will only be known once tenders have been received.
- 8.2. In addition, approval of £10,000 is requested to continue investigating the preferred options and a further £100,000 is requested to meet the cost of any unforeseen urgent works while the long term options are investigated. Routine repairs will continue to be funded by the Corporate Maintenance Revenue Budget.
- 8.3. If the proposals in this report are approved a total of £760,000 will have been spent, leaving £1.44m of the original £2.2m allocation.
- 8.4. The options appraisal assumed that £2.2m capital would be available to fund any refurbishment or New Build project. The remaining capital cost would be largely funded by external borrowing, to the extent this could be supported by improved revenue at the centre. The appraisal identified that based on capital funding of £2.2m being available there would be a funding gap of £2.4m for the New Build and £2.3m for Enhanced Leisure Water + Option 2B Dry Side options. Therefore it should be noted that the expenditure currently proposed will increase the funding gap for these options due to the reduction in available capital funding.
- 8.5. On the other hand the proposed investment in plant refurbishment is likely to deliver savings against future capital expenditure of circa £75,000 and will significantly reduce energy consumption, resulting in savings to the operator. This would allow the Council to review the level of funding it provides to the operator, and any savings achieved could be used to replenish the capital allocation; this will be included as part of future budget proposals.

## **9. Corporate Implications**

- 9.1. Comment from the Section 151 Officer: Finance have been consulted on this report and have no further comments to add. (DL)

9.2. Comment from the Solicitor to the Council: The Head of Legal Services has been consulted during the preparation of this report and has no further comments to make.

9.3. Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members 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>.

## **10. Appendices**

Appendix 1: Options Appraisal for the Refurbishment and Extension of Tides Leisure Centre May 2018 Executive Summary.

## **11. Background Papers**

Dover District Council Indoor Sports Facility Strategy, Adopted July 2016.

MEP Plant Replacement Report by ME Engineers, 5 April 2018

Contact Officer: Laura Corby extn 42448 Emma-Jane Allen extn 42120