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<b>Subject:</b>	<b>TIDES LEISURE CENTRE</b>
<b>Meeting and Date:</b>	<b>Cabinet – 3 February 2020</b>
<b>Report of:</b>	<b>Roger Walton, Strategic Director (Operations and Commercial)</b>
<b>Portfolio Holder:</b>	<b>Councillor Oliver Richardson, Portfolio Holder for Environment and Commercial Services</b>
<b>Decision Type:</b>	<b>Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To provide an update to Cabinet on the outcome of the options appraisal study which has considered a range of options seeking to improve the facilities at Tides Leisure Centre. To seek Cabinet agreement to further develop a project to construct a new build leisure centre to serve Deal and the wider district and to proceed with the next steps involved in delivering the project.

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**Recommendation:** Cabinet is asked to:

1. Consider the options as set out in the report regarding future provision of indoor leisure facilities in Deal and confirm their agreement to further develop a project to construct a new build wet side and health & fitness leisure centre (retaining the sports hall and tennis centre) on the existing site at Tides Leisure Centre, known as New Build Maximum Option D.

Subject to agreement to recommendation 1, Cabinet is asked to:

2. Confirm that the existing site at Tides Leisure Centre remains the preferred location for leisure provision in Deal.
3. Confirm its agreement to the proposed Project Management arrangements by the establishment of a Project Advisory Group and the approval of the Terms of Reference.
4. Authorise the Strategic Director (Operations & Commercial) to procure and contract to secure the professional services required to support the project lifecycle and authorise the Strategic Director (Operations and Commercial) to appoint Faithful & Gould as Lead Consultant for the project lifecycle.
5. Cabinet is asked to set aside £500k from the Capital Programme to be drawn down by the Strategic Director (Operations and Commercial), in consultation with the Strategic Director (Corporate Resources), as required to support the next stage of the project and to authorise the Strategic Director (Operations and Commercial) to

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prepare and submit a grant application to Sport England's Strategic Facility Fund.

6. Authorise the Strategic Director (Operations and Commercial) to engage with prospective partners and funders on the options for financing the new leisure centre.
7. Authorise the Strategic Director (Operations and Commercial) to negotiate revised operational & financial management arrangements with Your Leisure to support the funding model.

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## 1. Summary

- 1.1. Cabinet agreed in July 2018 that a further investigation be undertaken on two preferred options concerning the proposed Refurbishment and Extension of Tides Leisure Centre (i) creating enhanced leisure water and dryside expansion and (ii) demolition and construction of new wet and dry facilities (excluding the sports hall and tennis centre). Members approved £10k to commission these works. Noting the concerns regarding the deteriorating condition of essential pool plant & equipment, Members also approved £700k to undertake urgent plant refurbishments so the leisure centre could continue to function while long term options were being considered.
- 1.2. The Council therefore commissioned The Sports Consultancy, in partnership with GT Architects, Faithful & Gould and Hadron Consulting, in July 2019, to undertake an options appraisal and initial feasibility study to test the feasibility and financial viability of both preferred options which include (i) Refurbishment and (ii) a New Build Minimum, Medium and Maximum range option.
- 1.3. The consultants have now completed this work and they are recommending that a 'New Build Maximum' option provides significantly more advantages than disadvantages, including meeting strategic need such as helping to address deficiency in water space across the district, achieving the greatest levels of throughput and flexibility in operation and delivering more extensive sporting & wider health and wellbeing outcomes. It is also more likely to attract Sport England funding.
- 1.4. The outline programme as drafted sees the 'New Build Maximum' option with a target opening in the first quarter of 2023. A business model has been developed for the proposed Tides project following the same approach as that taken for the Dover District Leisure Centre (DDLCC). However, in this case the estimates indicate that the improvements cannot be achieved without creating significant budget pressures as the improvement in revenue used to fund the borrowing does not fully cover the estimated project cost of £25.8m leaving the Council with either a capital funding deficit of £4.7m or an annual revenue pressure £201k.
- 1.5. However recognising the continued deterioration of Tides Leisure Pool, the inadequacy of facilities such as the fitness suite and changing areas and the consequent impact on services such as the fitness gym & aerobic classes being conducted in poor standard non-purpose-built environments, it is clear that investment in the facility cannot be avoided if service provision at this site is to be maintained. It is therefore now recommended that the Council should proceed with the development of 'New Build Maximum' option noting the impact on the Medium Term Financial Plan in terms of capital and / or revenue funding. A Cabinet decision is therefore sought on whether, and how best, to proceed

with the development of new leisure facilities to serve Deal and the wider district that will complement existing new provision at Dover District Leisure Centre.

## **2. Introduction**

- 2.1. In July 2018, Members authorised expenditure of £600k in Tides for urgent plant refurbishment works to address essential maintenance. A further £100k provision was also approved to meet the cost of any emergency works that arose while the preferred feasibility options were being investigated. As a result, the air handling unit has been repaired with associated items such as louvred panels; the acid & chemical pool storage has been redesigned to provide two safer separate containment areas; a new external flue and a new boiler has been installed & water leaks sourced under the former bubble pool have been addressed. All of these works have helped to improve air and pool water temperatures that frequently caused temporary pool closures and improve the ambient temperature experienced by customers. Chemical storage areas fully comply with health & safety design standards and major pool water leakages have been addressed following extensive investigational repair works. Overall this expenditure has helped to reduce the risk of temporary pool closures, improved safety within the plant room, and has improved energy efficiencies by reducing consumption & utility costs.
- 2.2. Although urgent plant works have been addressed, accumulating significant building and other plant related concerns remain. For example, the air handling plant serving the wet changing rooms is in very poor condition, deteriorating pipework under the main pool floor, lifting of pool tiles in much larger than average quantities, the flume slides and wave machine reaching end of life all could result in permanent pool closure without further investment. The building fabric is aging with both the roof and glazing in need of major repairs. The reception entrance and café area is poorly configured with little control of circulation spaces. Customer experience is poor, because the health and fitness offer is small by current standards, is located in the basement and is in a non-purpose build environment. In addition, there are operational restrictions on use of the sauna and steam room due to design constraints. Furthermore, there is no purpose-built aerobic studio provision. All of these shortcomings contribute to the centre not meeting current and future, customer expectations and need.
- 2.3. The pool water leisure building is over 30 years old. The minimum cost of providing service levels to a reasonable standard has been calculated as £14m for refurbishment and extension, but this is only likely to extend the building's life span by 20 years (see attached report for details). Alternatively, the Council could undertake ad hoc repairs and replacements in response to failing items, but this would result in likely long, sporadic and frequent closures, uncertain lifespan for the building fabric and therefore the cost of this approach is impossible to estimate.
- 2.4. Before expending monies on further repairs or replacements at this facility, there is a strong case for the need to review the options and financial business case for developing a new leisure facility and to explore the options for investment that would sustain leisure provision at the level required to meet local and future demand. The successful delivery of the new Dover District Leisure Centre is welcomed and has demonstrated that significant investment can realise significant benefits given that the performance of the new centre continues to exceed targets in terms of usage, memberships and health benefits and the findings of the Options Appraisal attached at Appendix 1 support a similar approach to investment at Tides.
- 2.5. Your Leisure operates Tides Leisure Centre under a lease arrangement expiring on 31 March 2025, therefore further cost considerations include the impact of current and future operational management. Positive discussions are underway with Your Leisure to explore

how this can be managed. A zero-management fee is assumed in the first two years post investment as a worst-case scenario of the business model. It should be noted that the wet and dry side facilities would be closed for two years while construction is underway, however services will be provided as far as possible in the sports hall and indoor tennis centre.

### 3. Analysis and Demand

3.1. In order to provide a clear basis for the development of the business case the consultants firstly considered the findings from the Indoor Sports Facility Strategy 2016 which was based on extensive stakeholder consultation including Sport England, National Governing Bodies of Sport, Facility Managers and local authorities.

3.2. The study also looked at recent changes to provision since 2016 and has further interrogated evidence regarding water space provision, leisure water facilities and health & fitness with the objective of identifying current and future provision (up to 2026) required to meet the needs of the district. A range of methods have been used in assessing the needs of the area, including Sport England’s Facility Planning Model (FPM), a Latent Demand Report for health and fitness membership and further stakeholder consultation.

3.3. Their report sets out recommendations for the Needs Analysis as noted in the attached ‘Summary of Findings’ report on page 3 and in the following table one:

3.4 Table 1: Needs Analysis Recommendations

Facility Type	Summary of Recommendations from the Needs Analysis
Swimming Pools	<ul style="list-style-type: none"> <li>• Since the District wide indoor facility strategy was completed, the Council has completed the development of a new 8 lane 25m (county standard) pool at the new Dover District Leisure Centre. This replaces the previous 6 lane 25m pool at the old Dover Leisure Centre. This has resulted in a reduction of the swimming pool water deficit across the district from the equivalent of a 6 lane 25m pool, to a 4 lane 25m pool. However, this assumes that the existing main pool at Tides is currently a 6 lane 25m pool, which is not the case.</li> <li>• The FPM disregards pools that are less than 25m in length and learner pools are excluded from the calculation. Therefore, overall deficit is currently equivalent to 10 lanes of 25m pool space.</li> <li>• A new 6 lane 25m community pool at Tides would help to significantly reduce this deficit to a 4-lane deficit across the District. We would expect this to result in good utilisation of a new pool at Tides in Deal.</li> <li>• At circa 6 miles/12-15 minute drive, Sandwich residents would be well served by a new pool at Deal, as opposed to 10 miles to DDLC. Therefore, a new pool at Deal has the potential to serve the areas to the north of the district.</li> <li>• The indoor facility strategy recommendations support the continued provision of leisure water in Deal. This is supported by an analysis of competing facilities in Kent and the catchment analysis.</li> </ul>

Fitness Suites/Gyms	The conclusions from the needs analysis show an expected membership numbers of circa 2,500 on maturity. Based on a typical ratio of 25 members per station of equipment, it is recommended that a minimum of 100 stations are provided in the new gym with adequate space to increase to 110 stations if demand support this in the future. To support the gym area of this scale we would also recommend provision of two multi-activity studios and a dedicated spin studio to provide an attractive offer and to maximise gym membership and the resulting revenue.
Toning Suite	Consultation with the Council, has identified the need for a number of toning tables which provide opportunities for people with mobility issues to take part in sport and physical activity. This reflects the needs of the local demographics, which indicate there are higher than average numbers of older people. This is highlighted by the dominant Mosaic group in the catchment area: E (Senior Security). It accounts for 17% of local people, a figure which is more than double the national average. Your Leisure has suggested that 12 toning tables should be provided to offer sufficient range for users. These facilities will enable broader outcome around health and wellbeing to be delivered, particularly for people with mobility issues.
Cafe	The redevelopment of Tides provides an opportunity to develop improved café facilities for users of the centre. This will improve the visitor experience and help generate additional income from secondary spend. The café should also be designed to allow access by people that are using the outdoor facilities in Victoria Park

- 3.5 From the Council's perspective, the analysis and evidence gathered demonstrates that the proposed new pool lane and leisure facilities in Deal will complement existing provision and help to meet both current and future needs. In particular it will serve gaps in water provision north of the district with a greater range and size of facilities. The addition of a toning suite will help encourage people to start or return to exercise in a more relaxed environment with power assisted toning tables, which will assist people who wish to improve their mobility or are recovering from injury. This will be a valuable and unique addition to the health & fitness offer in this District which was previously discussed by Members when developing the DDLC project but could not be delivered within that project. Provision of this type of facility in Deal will help to meet the needs of the ageing population in Deal.
- 3.6 Results in usage and memberships at the new DDLC far exceed original targets and experience from this successful project shows there is significant continued demand for health & fitness. The expected membership growth on maturity of circa 2,500 at

Tides is a reasonable assumption given that it is calculated using the same methodology as Dover District Leisure Centre and much higher growth is being achieved in that project compared to the original assumptions.

- 3.7 This analysis of supply and demand alongside the experience gained from delivering Dover District Leisure Centre, enables recommendations to be made regarding the facilities mix options for Tides Leisure Centre. See page 4 of the attached ‘Summary of Findings’ report to review all options. However, the table below highlights existing provision and the recommended New Build Maximum option which are as follows;

Table 2: Facility mix provision for Existing and New Build Maximum

Activity Area	Existing	New Build Maximum
Indoor Tennis Centre	Retained in situ	Retained in situ
4 court sports hall	Retained in situ	Retained in situ
Main pool	Wave pool with beach area	6 lane 25m pool (no moveable floor)
Learner pool	None	12m x 8m learner pool (100% moveable floor)
Leisure water	Small pools and 1 x body slide	625m2 area (splash pool, aqua play and 2 x flumes)
Poolside seating	None	Poolside seating for 50 persons on plinth
Sauna & Steam room	Sauna & Steam room	Sauna & Steam room
Health & Fitness	40 Stations	110 Station
Toning Studios	None	12 x toning tables
Consultation rooms	None	2 consultation rooms
Multiactivity studio	None	2x studios (30 persons per class)
Spin Studio	None	1 x studio (25 persons)
Multipurpose/community room (crèche/ party rooms/studio/meetings)	1 x meeting room	Room suitable for 30 people
Receptions with retail area	Included	Included
Café (150 seats) with poolside viewing	Capacity for 100 people	Capacity for 150
Parking Spaces	122	250

## 4. Options Appraisal

- 4.1. Having completed the initial needs analysis, and thus assessed the usage levels / demand which a new leisure facility needs to provide for, a number of options were developed to appraise. The aim was to identify options which meet the identified needs, to a lesser or greater extent, and to test the financial implications and the affordability of them. The options were worked up in further detail to provide the following information:

- Capital cost estimates
    - Revenue projections<sup>1</sup>
    - Funding
    - Affordability.
- 4.2. A total of three new build options were assessed together with an option to refurbish the existing site. It should be noted that the 4-court sports hall and the indoor tennis centre remain unchanged from the existing provision in all options.
- 4.3. Setting aside for a moment the respective merits of each new build option, the consultants advise that in their opinion there are no compelling reasons to support the refurbishment of the existing leisure pool and health & fitness area. Whilst refurbishment and reconstruction, to extend the life of the building for another 20 years or so, is likely to be less expensive than some of the new build options with exception to new build option 1, it would create potential design issues for the access ramp to basement level that would need to be resolved at additional cost. The nature and scope of works to reconfiguration of the pool tanks means that this option also carries a higher degree of risk than new build. Furthermore, Sport England will not contribute any funding to this option. Refurbishment would limit the scope to create a building which meets modern design standards and indeed customer expectations, which would mean that the investment is not likely to achieve the same level of revenue as a new build option, because it would involve some compromise on the quality and layout of facilities.
- 4.4. The consultants also advise that 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 and unexpected costs arising during construction.
- 4.5. The New build options therefore offer the opportunity for the Council to provide a high quality, efficient, leisure centre as a longer-term solution with a designed life of 35-40 years serving the community of Deal and the wider district. It is envisaged maintaining some level in continuity of service of the existing centre using the Indoor Tennis Centre and Four Court Sports Hall as main spaces from which to deliver services. All programme and cost risks can be more easily managed on a new build project and is likely to attract a greater level of competition from building contractors when the project is tendered.
- 4.6. In considering the new build options for leisure facilities in Deal, it was recognised that we should not simply assume that the current location is the best site on which to provide these facilities, and therefore selection of the most appropriate site is a key consideration. Twelve potential sites were identified by the Council and a desktop analysis was undertaken scoring each site against a range of criteria that are important when considering the suitability of sites for the development of a new leisure centre. The results of this investigation strongly support the proposal of retaining the facility at its existing site.

## **5. Identification and Evaluation of Options Refurbishment Provision**

- 5.1. In evaluating options for future provision, the decision process can conveniently be broken down into a series of steps:

Firstly, having noted the recommendation of the Council's consultant regarding new build v refurbishment in overall terms there are four Options available to Cabinet:

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<sup>1</sup> Further work will be required on the detailed revenue implications, including the basis of the arrangements for the operation of the leisure centre, the implications for VAT from both the operational arrangements and the procurement of the construction of the building etc.

Option A: Do Nothing and progressively close the leisure pool and health & fitness as plant or parts of the building fail.

Option B: Maintain the current facility and undertake repairs and replacements as and when required.

Option C: Refurbish & Extend the current facility.

Option D: Construct one of three new build options, by continuing restricted service where possible upon completion. (Preferred Option)

5.2. Option D is the preferred option, because as noted by the consultants, refurbishment and reconstructing the building would involve retaining some or all the existing structure and undertaking significant works to reconfigure the building to provide the appropriate range of facilities required. While significant refurbishment of the centre could provide improvement in the quality of provision, there are a number of additional significant risks and disadvantages associated with refurbishment, compared to the new build options. On balance, it is recommended that a new build centre will provide a better long-term solution for the needs of Dover and the wider district and consequently offers better value for money to the Council than refurbishment.

5.3. In summary, new build is recommended as it provides more advantages than the refurbishment option. While it is likely to be higher in terms of cost, it is more likely to result in the transformation of the leisure facilities in Deal and wider District and will be the more viable in the long term than refurbishment and reconstruction.

5.4. **Cabinet is therefore asked to confirm their agreement to Option D and construct one of three new build options.**

## 6. Identification and Evaluation for New Build Options

### 6.1. Introduction

6.1.1. Having agreed to proceed with New Build options and construct a new leisure pool with health & fitness provision, an evaluation of options in terms of facilities and location is required to enable the project to be progressed:

### 6.2. Facilities Mix

6.2.1. The review undertaken by The Sports Consultancy includes a detailed assessment of usage levels and demand for the various facilities to be provided within the new leisure centre which have been reviewed, evaluated and costed as outlined above.

6.2.2. This assessment of 'need' has led to a range of Options for the facilities mix being modelled as outlined below.

Activity Area	Existing	Refurbish Extend	& in	Option 1	Option 2	Option 3
Indoor Tennis Centre	Retained in situ	Retained situ	in	Retained in situ	Retained in situ	Retained in situ
4 Court Sports Hall	Retained in situ	Retained situ	in	Retained in situ	Retained in situ	Retained in situ

Main Pool	Wave pool with beach area	Wave pool with beach area	4 lane x 25m pool (100% moveable floor)	6 lane x 25m pool (100% moveable floor)	6 lane x 25m pool (no moveable floor)
Learner Pool	None	None	None	None	12m x 8m (100% moveable floor)
Leisure Water	Small pools and 1x body slide	Convert to splash pad and aqua play with little/no water depth aimed at young children	625m <sup>2</sup> are (splash pool, aqua play and 2x flumes)	625m <sup>2</sup> are (splash pool, aqua play and 2x flumes)	625m <sup>2</sup> are (splash pool, aqua play and 2x flumes)
Poolside Seating	None	None	None	Poolside seating for 50 persons on plinth	Poolside seating for 50 persons on plinth
Sauna & Steam room	Sauna & Steam room	Sauna & Steam room	Sauna & Steam room	Sauna & Steam room	Sauna & Steam room
Health & Fitness	40 stations	80 stations	110 stations	110 stations	110 stations
Toning Studio	None	12 stations	12 toning tables	12 toning tables	12 toning tables
Consultation Rooms	None	None	2	2	2
Multi-activity Studio	None	1 x Studio (150m <sup>2</sup> )	1 x Studio (30 Person per class)	2 x Studios (30 person per class)	2 x Studios (30 person per class)
Spin Studio	None	1 x studio (25 persons)	1 x Studio (25 persons)	1 x Studio (25 persons)	1 x Studio (25 persons)
Multipurpose/community room (crèche/party room/studio/meetings)	1 x meeting room	None	None	Room suitable for 30 people	Room suitable for 30 people
Reception with retail area	Capacity for 100 people	Capacity for 100 people	Capacity for 150 people	Capacity for 150 people	Capacity for 150 people
Café (150 seats) with poolside viewing	Capacity for 100 people	Capacity for 100 people	Capacity for 150 people	Capacity for 150 people	Capacity for 150 people
Parking Spaces (recommended)	122	250	200	250	250

6.2.3. The capital costs for each option are presented within the consultant's report and are based on a range of assumptions used to arrive at the budget costs.

- 6.2.4. Revenue projections seek to take account of the predicted usage levels for a new facility, drawing on the demand analysis and taking account of the differing mix of facilities provided by each option and the consequent effect this will have on usage levels, income and operating costs.
- 6.2.5. In considering funding streams and thus determining affordability the approach taken has been to focus on two funding streams;
- Prudential borrowing: The report compares the forecast income/ expenditure for each option with the current costs associated with operating the existing centre. The potential improved revenue position offered by each of the options provides a potential ability to prudentially borrow with repayments funded from the revenue saving.
  - Sport England Grant: The report assumes £1m grant from Sport England's Strategic Facility Fund for New Build Options 2 & 3.
- 6.2.6. Having taken these two areas of funding into account, the report presents the balance as funding deficit and does not attempt to determine how the balance of cost would be funded. In practice we will therefore have to explore how this gap could be bridged. Options will include existing Council resources, capital receipts from further asset sales and working with development partners. In addition, other sources of sports grants will be explored.
- 6.2.7. The outcome of the option appraisal process is summarised at Page 6 and 7 of the attached Summary of Findings. The conclusions drawn are based on a number of key points and it should be noted that none of the options are fully funded and the Council will need to provide finance to close the funding gaps.
- Option 1 is the smallest new build option, ('New Build Minimum') and the most affordable with the lowest funding gap even when compared to Refurbish and Extend. The capital cost is circa £20.5m with a capital funding deficit of £1.9m. It does not meet the identified need as closely as Options 2 and 3, in that it provides only four swimming lanes towards an identified 10 lane district wide deficit. It provides a reduced health & fitness offer with just one multipurpose studio limiting the opportunity to programme a wide variety of health and fitness classes likely to impact on revenue generation as well as health & well being benefits. It does not deliver sufficient improvement in range of facilities to deliver strategic outcomes Sport England is seeking in return for their investment, therefore would not attract any funding support. Overall while it is the lowest cost and most affordable, it provides limited improvement and restricts the ability of the centre to provide facilities to reach out and address wider health and well being agendas. New Build Option 1 is not recommended.
  - Option 2 is the medium new build option, ('New Build Medium') and the second most affordable with second largest funding gap. The Capital cost is circa £24m with a capital deficit of £3.3m. It will better address meeting the district shortfall in swimming pool provision and with the addition of a moveable floor, it will offer flexibility of programming and use, accommodating a wider lessons programme than Option 1. Two multipurpose studios will also offer a wider variety of health and fitness classes which will provide a better income generation, throughputs and health benefits. The addition of a toning studio in this option offers wider

health & well being outcomes to meet needs of local demographics. It will also attract Sport England funding of up to £1m.

- Option 3 is the maximum new build option , ('New Build Maximum') and the least affordable with the largest funding gap. The Capital cost is circa £25.8m with a potential capital deficit of circa £4.7m or an annual revenue pressure of £201k. It shares a similar facility mix as 'New Build Medium' Option 2 but has the addition of a learner pool with moveable floor. This further extends the swimming offer at the centre, it will satisfy a much wider range of user groups simultaneously allowing optimum flexibility in programming by the operator. It is the best option in terms of meeting the identified needs of the wider District and is the best fit of all options based on delivering strategic need and complimenting existing provision at Dover District Leisure Centre. Although it is less affordable than Option 2, Option 3 ('New Build Maximum') will deliver the longer-term needs and significantly help increase participation in health and well being activities. 'New Build Maximum' is the preferred option.

**6.2.8. Cabinet are asked to confirm their agreement to take 'New Build Maximum' forward as their preferred option D.**

### **6.3. Location**

6.3.1. In considering the new build options for leisure facilities in Deal, selection of the most appropriate site is a key consideration. Twelve potential sites were identified by the Council and a desktop analysis was undertaken scoring each site against a range of criteria that are important when considering the suitability of sites for the development of a new leisure centre, including accessibility, site availability and flood risk.

6.3.2. The scoring process has been supplemented by comments based on the review of advantages of developing the new leisure facilities and disadvantages of choosing an alternative site, to allow alternative development to take place on the existing site.

6.3.3. The main advantage of the existing Tides Leisure Centre site over all the other sites considered, is that by developing it in the existing location, the four-court sports hall and indoor tennis centre can be retained in situ., ensuring new and existing facilities are all in one single site. Alternative site options could result in split provision or the need to rebuild the retained facilities with new, adding considerable capital cost to the project in the region of £6m -£8m. This makes the existing site significantly more affordable and sustainable in the long term. On balance therefore the site of the existing Tides Leisure Centre is the recommended site for redevelopment.

**6.3.4. Cabinet are asked to confirm their agreement that the existing site at Tides Leisure Centre is the preferred location for leisure provision in Deal.**

### **6.4. Project Management**

The selection of the preferred New Build Maximum option on the existing Tides Leisure Centre triggers a series of further decisions in order to progress the project as set out in the next section of the report.

6.4.1. Taking forward a complex development such as a new build leisure centre, will require a dynamic approach to be taken to decision making to ensure that the multitude of detailed decisions can be taken in a timely and effective manner and to ensure effective public engagement as the project is progressed.

6.4.2. It is proposed therefore that a Project Board be established led by the Portfolio Holder for Environment & Commercial Services with membership to include the following:

- Portfolio Holder for Housing & Health
- Portfolio Holder for Finance & Governance
- Portfolio Holder for Transport & Licensing
- Shadow member for Environment and Commercial Services (or whoever the Labour group seek to appoint)

6.4.3. The Project Board will act as an Advisory group to support the work of the executive on this project.

6.4.4. The Constitution provides guidance on how such advisory groups should be established noting that;

“They operate informally and are broadly politically balanced. Such a group will include an executive member who will chair the group. They allow other members of the Council who are not members of the executive to contribute to project development and advise on certain functions/activities before determination of the matter by the executive out of the context of full Council meetings and the formal overview and scrutiny committee process. The groups can also make reports and give recommendations to the executive, but the decision must always be made by the executive (either the Leader, Cabinet or an individual Portfolio Holder).”

6.4.5. The Project will be managed by the Strategic Director (Operations & Commercial), who will report to the Project Board.

6.4.6. Details of the proposed Project Management arrangements are set out in the Project Brief with proposed Terms of Reference included at Appendix 2.

6.4.7. **Cabinet is asked to confirm their agreement to the proposed Project Management arrangements by establishing a Project Advisory Group and approving the Terms of Reference.**

## 6.5. **Project Procurement**

6.5.1. If cabinet agrees to proceed, it will be necessary to appoint a consultancy team to take the project through into detailed feasibility work and a project brief with proposal has now been agreed. This work will investigate the feasibility of the project in terms of more detailed cost, design & risk. It also will guide the Council through the process of procuring a construction team and undertake several essential surveys.

6.5.2. There are several options for the appointment of the consultancy team, advantages and disadvantages of each approach are set out in table 3 below.

Table 3: Consultant Team Appointment options

Type of Appointment	Pros	Cons	OJEU	Framework
Separate appointments	<ul style="list-style-type: none"> <li>Total flexibility and ability to appoint preferred team members.</li> </ul>	<ul style="list-style-type: none"> <li>More time consuming to tender, put legal agreements in place and manage.</li> <li>No guarantee the individual consultants will work well as a team.</li> <li>No single point of contact/responsibility for consultant team.</li> </ul>	<ul style="list-style-type: none"> <li>Some consultants, such as the architect, are likely to be above the OJEU threshold of £164,176.</li> </ul>	<ul style="list-style-type: none"> <li>Whilst there are a number of frameworks the Council could potentially use, not all of them allow separate consultant appointments.</li> </ul>
Single appointment through lead consultant	<ul style="list-style-type: none"> <li>Least time consuming option.</li> <li>Single point of responsibility.</li> <li>More likely to get a cohesive team.</li> <li>Lead consultant has contractual control over other consultants and can exert more control over the performance of the team.</li> </ul>	<ul style="list-style-type: none"> <li>Not as much opportunity to pick and choose team members, although some frameworks do have this option.</li> <li>Can be difficult to charge individual consultants if they don't perform.</li> <li>Project manager and cost consultant is not completely independent of the Design Team and other consultants.</li> </ul>	<ul style="list-style-type: none"> <li>Will be above OJEU threshold.</li> <li>Opens the opportunity to wider competition than a framework, although this is much more time consuming. Typically an OJEU process can take 3-4 months.</li> </ul>	<ul style="list-style-type: none"> <li>There are a number of frameworks the Council could potentially use. These are explored further on the following pages.</li> </ul>
Hybrid - separate appointment for PM/QS and Design Team	<ul style="list-style-type: none"> <li>Able to select preferred PM and QS, and separate design team.</li> <li>PM and QS is independent of the design team.</li> <li>PM can be brought on board quickly to put delivery strategy in place and run the design team tender.</li> <li>Single point of responsibility for the design team.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Design team still comes as a package.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Likely to be above the OJEU threshold. Combined design team appointment will definitely be over threshold.</li> <li>More time consuming than frameworks (where available).</li> </ul>	<ul style="list-style-type: none"> <li>There are a number of frameworks the Council could potentially use. These are explored further on the following pages.</li> </ul>
Appointment through a contractor  Note a PM and QS should still be directly appointed by the Council.	<ul style="list-style-type: none"> <li>The contractor will help ensure that the design is coordinated and input on buildability</li> <li>The contractor will manage the design team.</li> <li>Some flexibility to select the preferred design team.</li> </ul>	<ul style="list-style-type: none"> <li>The client can feel removed from the design process, and unable to fully influence the design team.</li> <li>Contractor will often add a mark up to the design fees.</li> <li>Difficult to separate contractually if changes are required to the contractor or the design team.</li> </ul>	<ul style="list-style-type: none"> <li>Only really suited to a true design and building procurement route, where the design is to be fully developed by the contractor.</li> </ul>	<ul style="list-style-type: none"> <li>The option for the contractor to appoint and manage the design team is available on most contractor frameworks.</li> </ul>

6.5.3. A single appointment for the consultancy team (through a lead consultant) is recommended for this project. An appropriate framework has been identified that is both OJEU compliant and can cover the multi disciplines necessary to deliver this project within the timescales necessary.

6.5.4. The National Framework Agreement for Professional Services in Construction and Premises developed by the Education Alliance (available to all public sector bodies) offers the Council a quick and efficient approach to procuring the consultancy team. As Faithful & Gould are currently the sole framework partner, appointing them to act as lead consultant (and thereafter the subsequent consultancy team) through this framework would provide

- Continuity: Have acquired knowledge in respect of this project that would need to be evaluated by an incoming consultant.
- Consistency: An incoming consultant may disagree with the initial findings which may delay the project and potentially lead to increased costs.
- Time: It is expedient to appoint the team through this framework to ensure that the project progresses promptly and to so minimise any risk of construction costs escalating due to delay.

6.5.5. The Framework is due to expire on 30 April 2020 and so subject to Cabinet and Council decisions any such appointment would need to be taken before its expiry. The appointment would 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.

6.5.6. The consultant team cost for the project lifecycle is £1,581k This is broken down into the progressive stages as follows:

- Stage 2: £295k
- Stage 3: £384k
- Stage 4: £598k
- Stages 5-7: £304k

**6.5.7 Cabinet is asked to confirm their agreement to appoint Faithful & Gould as Lead Consultant for the project lifecycle.**

## **6.6. Next Steps**

6.6.1 The outline target programme for the delivery of the project sees construction commencing in September 2021 and the new leisure centre being potentially completed by first quarter of 2023. This has been based on timescales for similar facilities delivered in the last ten years, but will be challenging to achieve, requiring the Council to move forward quickly and take a series of early decisions. In addition, operator procurement will be undertaken to appoint the long-term leisure centre management contract when the existing lease arrangements end with Your Leisure in March 2025.

6.6.2 The outline programme has been based on a number of key assumptions:

- The programme assumes that Dover District Council will make a decision on how they wish to proceed
- That Cabinet will authorise the appointment of the consultant team through a lead consultant for the project (as set out in 6.5.3 below)
- That public consultation on proposals will be undertaken to inform the final designs, and the findings will be reported to Cabinet
- Periods of demolition and constructions are estimates based on similar projects.
- Any areas to remain operable require detailed planning with Operator and the Council to ensure a suitable level of service can be provided to customers.
- A detailed procurement exercise/review is to be undertaken to consider the most appropriate route for procurement of the Contractor

6.6.3 £500k is required to appoint F&G to the next phase of project works and also undertake essential specialist surveys. The funding is to be drawn from the Mid Term Capital Programme. There is £1.44m for Tides refurbishment in the current programme.

6.6.4 The funding of the project also envisages grant support from Sport England's, Strategic Facility Fund and work needs to commence on preparing a bid to support the wider project.

**6.6.5 Cabinet are asked to set aside £500k from the Capital Programme to be drawn down by the Strategic Director of Operations & Commercial in consultation**

**with the Strategic Director of Resources as required to support the next stage of the project and to authorise the Strategic Director of Operations & Commercial to prepare and submit a grant application to Sport England's Strategic Facility Fund.**

## **6.7 Risks**

6.7.1 A high-level risk register is presented in Appendix 1, many of the risks identified are typical of a construction project, however there are a number of risks specific to this project that should be considered, many of these will be managed and mitigated by timely survey work. The main area of uncertainty that will continue to be addressed during the coming phase of the project and is specific to this project, relates to operational management during and post construction, for example no allowance has been made for temporary facilities or costs incurred with creating alternative means of access to allow areas of the centre to remain open during works.

6.7.2 Positive discussions are underway with the operator Your Leisure, who has a lease arrangement in place until 31<sup>st</sup> March 2025, with the objective of agreeing operational and financial arrangements within the estimated project budget over the next phase of the project. The costs of operator procurement and officer resource is likely to extend into 2025.

## **6.8 Reporting**

6.8.1 Further reports will be prepared for Cabinet at each stage of the project as the work is progressed. The next report to Members will follow in Summer 2020 to present findings on detailed cost, design & risk. It will also discuss the process of procuring a construction team and update on operational arrangements to help inform the Council's decision on the future of Tides Leisure Centre project.

## **7 Resource Implications**

7.1 There is currently £1.44m in the Medium Term Capital Programme that is allocated for Tides refurbishments, it is proposed to use £500k of this to advance the project to the next phase.

7.2 If Members agree to proceed with the project the capital cost of the preferred option is circa £25.8m. This option has a funding gap of £4.7m capital (against the current approved programme detailed above) or circa £210k per annum revenue cost. If the capital funding is increased, then there are limited capital resources left for future projects. However, increasing the borrowing will mean a continuing additional £210k annual pressure to the general fund until the borrowing has been repaid.

7.3 A zero management fee is currently assumed in the first two years, increasing the pressure on the Council's cash flow as the annual cost of borrowing £18.7m will be £800k per annum which will need to be financed for the initial two year period (rising to £1m per annum if borrowing is increased by £4.7m).

7.4 The financial risks of this project are far more significant than they were for the new Dover Leisure Centre project.

## **8 Corporate Implications**

8.1 Comment from the Section 151 Officer:

- (i) The project currently has a funding gap of £4.7m. If financed from borrowing this would create a General Fund revenue budget pressure of £210k per annum. Members are reminded that there are a number of risks and uncertainties in the revenue budget and so it is not possible to guarantee that this pressure can be met without savings / reductions in other areas.
- (ii) Alternatively, the gap could be funded by use of DDC capital or revenue reserves. The draft 2020/21 budget and MTFP include proposals for new projects and will determine the level of unallocated reserves for the future. So it is possible to meet the gap through DDC capital or revenue reserves, but Members should also bear in mind that capital reserves are not being replaced at the rate they are being consumed, are likely to be depleted, and that any allocation for the Tides project will reduce the level of limited capital reserves available for other projects.
- (iii) Finally, it is possible (although not yet certain) that further work can reduce the capital cost of the Tides project and therefore reduce the funding gap. The next stage is to commit circa £500k to the design and feasibility work required to progress the project. This means that even if this feasibility work proceeds, DDC are not yet committed to the project itself. However, Members should consider that this is still expenditure of £500k and should only approve proceeding if they strongly believe that they are likely, ultimately, to approve this, or a similar, Tides project. (MD)

8.2 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. (HR)

8.3 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>. (KS)

8.4 Comment from Climate Change & Energy Conservation Officer: Improvements to the energy efficiency in the new build option will help to reduce the Council's carbon footprint, and support the Council's Climate Change ambition. (AM)

## 9 Appendices

Appendix 1: Summary of Findings: Tides Leisure Centre RIBA Stage 1 Options Appraisal Study.

Appendix 2: Project Brief.

## 10 Background Papers

None.

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