
Subject:	TIDES LEISURE CENTRE
Meeting and Date:	Cabinet – 4 July 2022
Report of:	Roger Walton, Strategic Director (Operations and Commercial)
Portfolio Holder:	Councillor Oliver Richardson, Portfolio Holder for Community and Corporate Property
Decision Type:	Key Decision
Classification:	Unrestricted

Purpose of the report: To provide an update to Cabinet on the outcome of a further options appraisal study which has considered a range of options seeking to improve the facilities at Tides Leisure Centre, and 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.

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, in taking forward the recommended Preferred New Build Option, as detailed at paragraph 3.8, Table 1, into RIBA Stage 2.

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

2. Note the proposed Sustainability Strategy and potential options to be developed further in future stages of work which will aim to reduce carbon emissions in the new build as far as pragmatically and financially possible, subject to a business case, and investigate options for decarbonising the existing indoor tennis centre and sports hall facilities.
3. Approve the allocation of £600,000 from the Tides Replacement capital project to support the next stage of the project.
4. Appoint BAM Construction Limited as the Main Contractor via a Direct Award through the Procure Partnerships Framework under a two-stage tender process and authorise the Strategic Director (Operations and Commercial) to undertake all necessary further procurement activities pursuant to that award.
5. Note the Working Project Budget of £24.88 million, including the estimated project/build cost, risk allocation and internal Dover District Council costs.

1. Summary

- 1.1 Tides Leisure Centre is approaching the end of its operational life. It has limited facilities, is expensive to heat and operate and does not generate a high enough level of use. It is proposed to construct a new sports centre on the site, with a mix of modern dry and wet facilities and environmentally responsible design and construction (which will also contribute towards the Council's Climate Change targets for 2030), at an estimated total cost to DDC of £24.8m. (£19.8m DDC borrowing and £5m capital receipts). This is based on revenue projections that assume a 40% uplift in latent demand projections will be reflected in health and fitness membership numbers, this is comparable with the outcome at Dover District Leisure Centre. The resulting revenue projections are required to support the forecast DDC borrowing and provide financial viability.
- 1.2 The new leisure centre together with the sports hall and tennis centre, which will be retained, will complement the Dover District Leisure Centre and the increase in usage will promote health and well-being with the associated social, physical and psychological benefits.
- 1.3 Following a pause in the project due to the pandemic, it is now proposed to take the project to RIBA Stage 2 at an estimated cost of £600k. There are identified risks in the "40% uplift" assumption and in the build cost estimates. Both assumptions will be tested throughout RIBA Stage 2 work; we will only have final certainty over the build costs when the project is complete and over the income levels when an operator has been appointed. Due to this uncertainty and the existing pressures on the Council's capital resources, additional funding will be sought as a matter of course. However, if, following this work, it becomes clear that these assumptions are not likely to be achievable, the following options, or combination of options, may help to mitigate the impact on affordability of the scheme:
- Seek additional financial support from Sport England or other funders;
 - Value engineers the project to save costs;
 - Reduce the mix of facilities, to reduce areas and costs.
- 1.4 If these options do not generate a viable affordable project, then it could be cancelled. That would involve a write-off of the £600k spent and is not a preferred option. However, the outputs from the work at RIBA Stage 2 would still provide a reasonable basis of a deliverable project, should funding become available in the future,
- 1.5 It is also proposed to directly appoint BAM Construction Limited as the Main Contractor via a Direct Award through the Procure Partnerships Framework under a two-stage tender process to work alongside the Project Team from the commencement of RIBA Stage 2 work, providing support to the value engineering process, early access to the supply chain and to enable prompt progress on the project.

2. Introduction and Background

- 2.1 Cabinet agreed in February 2020 to further develop a project to construct a new build wet side and health & fitness leisure offer Tides Leisure Centre. The full report and appendices can be found at [Tides Leisure Centre Report.pdf \(dover.gov.uk\)](#)
- 2.2 Following governance approvals, the work was put on hold following the onset of the global Covid 19 pandemic in March 2020. National and local government resources were diverted to helping communities and businesses, the leisure centre industry among many others suffered significant loss of income and has since been gradually recovering and rebuilding the business.

- 2.3 In October 2021, the Council appointed The Sports Consultancy to revisit the appraisal of options & initial feasibility study that had previously been considered by Cabinet. The purpose was to update options being appraised in light of the pandemic's impact on the leisure industry. It also provided an opportunity to consider additional options that ranged from no water pool provision to a varied mixed range of water provision with health & fitness. High level and varied ranges of sustainable design costs were also applied as part of the revised study.
- 2.4 Simultaneously, The Sports Consultancy were appointed to undertake a review of the Indoor Sports Facility Strategy 2016 to examine current & future demand of indoor sports facilities to help determine strategic objectives. This will help to underpin further detailed feasibility work on Tides Leisure Centre and feed into the overarching District Local Plan, currently under review.
- 2.5 Members are reminded the pool water leisure building is now 35 years old. The option to refurbish and extend the existing facility to a reasonable standard has previously been considered, but this is only likely to extend the building's life span by 15 - 20 years, does not assist with the Council's aspirations regarding carbon reduction and has previously been discounted as it is uneconomical.
- 2.6 There is a continued strong case for the need to review the options and financial business case for developing a new build 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 (DDLC) 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.
- 2.7 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. Renewed engagement is underway with Your Leisure to explore how this can be managed. It should be noted that the wet and dry side facilities would be closed for up to two years while construction is underway, however services will be provided as far as possible in the sports hall and indoor tennis centre.
- 2.8 In line with CAB130 13.02.20 recommendations, a Project Advisory Group (PAG) was established during this recent phase of work to act as an Advisory Group to support the work of the executive on this project. The Project Advisory Group is led by the Portfolio Holder for Community and Corporate Property and comprises of four Portfolio Holders & one nominated Member by the Labour Group. The Strategic Director (Operations & Commercial) reports to the group with regards to background information, research and progress updates in connection with the project. A total of three PAG meetings have been held to date and Members have also visited a number of leisure centres including the new Britannia Leisure Centre in Hackney as part of their investigation and research during this time.

3. **Analysis and Demand**

- 3.1 To provide a clear basis for the development of the business case the consultants considered the findings from the Indoor Sports Facility Strategy 2016 (ISFS) and emerging findings from the reviewed draft strategy dated July 2022. In parallel with this cabinet report, Members will receive a separate detailed report on initial findings set out in the draft ISFS July 2022. The purpose of the ISFS is to help guide potential decisions around rationalisation and investment, community use of school facilities,

encouraging greater flexibility of facility usage and determining strategic objectives for the district. The study will help to underpin the preferred facility mix for Tides Leisure Centre and to date, has involved extensive stakeholder consultation with Sport England, National Governing Bodies of Sport, Facility Managers, local authorities and indoor sports facility providers such as leisure centres and schools.

- 3.2 The study has looked at changes to provision since 2016. It 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 2040 in line with the Local Development Plan timescales) 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 stakeholder consultation.
- 3.3 The study sets out the recommendations for the Needs Analysis. The analysis and evidence gathered demonstrates that the proposed new pool lane and leisure facilities in Deal will complement existing provision and help to address the deficit in swimming pool water space in the district up to 2040 which is the equivalent of an additional 6 lane 25m pool. The provision of a 4-lane 25m main pool, a 12m x 8m learner pool and replacement of leisure water would significantly enhance the current offer, which does not currently provide adequately for lane swimming. 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 (albeit it is considered both leisure centres would be equally accessible, helping with overall demand). Residents of Aylesham to the west would also benefit from improved access and choice. Therefore, a new pool at Deal has the potential to serve the areas to the north of the district.
- 3.4 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 also 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 will help to meet the needs of the aging population in Deal and the surrounding area.
- 3.5 Results in usage and memberships at the new DDLC continue to 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 2,400 at Tides, is slightly less than previously forecast but not significant following the opening of Dover District Leisure Centre. It is a reasonable assumption given that it is calculated using the same methodology as Dover District Leisure Centre and much higher growth is now being achieved in that project compared to the original assumptions. These figures should also be considered in light of the recovery from Covid-19, which created significant disruption and loss of membership numbers, which have now recovered.
- 3.6 The model applied for the Tides Leisure Centre base revenue model and business case is Latent Demand for memberships increased by 40% and based on the 10% Increase in Yield, which predicts a funding surplus.
- 3.7 Further scenarios have been provided including Latent Demand +30% & +50% with a 10% increase in Yield. The first scenario provides a deficit whilst the second identifies a surplus. The cost neutral position is approximately Latent Demand +37% & 10% Increase in Yield. The performance of the Dover District Leisure Centre provides confidence that the business model can utilise a higher basis as applied for the business case and base revenue model.

- 3.8 This analysis of supply and demand, alongside the experience gained from delivering Dover District Leisure Centre, enables a recommendation to be made regarding the proposed facility mix for Tides Leisure Centre. See the attached 'Summary of Findings' report for background regarding the recommended facility mix, and the table below highlights existing provision and the recommended option:

Table 1: Facility mix provision for Existing and Preferred New Build Option:

Activity Areas	Existing	Preferred New Build Option
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	4 lane 25m pool
Learner pool	None	12m x 8m learner pool (100% moveable floor)
Leisure water	Small pools and 1 x body slides	400m2 area (splash pool, aqua play and 2 x flumes)
Poolside Seating	None	Capacity for 50 people
Sauna & steam room	Sauna and steam	None
Health and fitness	40 Stations	110 stations
Toning Studio (ground floor)	None	12 x toning tables
Consultation Rooms (ground floor)	None	2 x consultation rooms
Multi activity studio	None	2 x studios (30 persons per class)
Spin studio	None	1 x studio (25 persons)
Multipurpose/community room (creche/party room/studio/meetings)	1 x meeting room	None
Reception with retail area	Included	Included
Café (150 seats) with poolside viewing	Capacity for 100 people	Capacity for 150 people
Parking spaces (recommended)	122	200

4. New Build Option

- 4.1 Having updated the analysis work by assessing usage levels and demand which a facility needs to provide for, a number of options were developed to appraise. The aim was to identify options which meet the identified need, to a greater and lesser extent, and to test the financial implications and the affordability of them. The options were worked up in further details to provide the following information helping to inform a recommended Preferred New Build Option:

- Capital costs estimates showing three approach levels to sustainability
 - Revenue projections
 - Funding
 - Affordability
- 4.2 The Preferred New Build Option offers 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 4 Court Sports Hall as main spaces from which to deliver services.
- 4.3 The approved 2022-23 Budget and Medium-Term Financial Plan includes a project allowance for Tides of £5m. The Council's project resources are under pressure and resources for new projects not currently included in the approved project programmes are expected to be significantly limited. In determining affordability for the proposals, the approach taken has been to focus on 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 borrow¹ with repayments funded from the revenue saving.
- 4.4 Having taken the forecast improved revenue position and the estimated borrowing costs into account, the forecast results in a small average annual revenue surplus for the Preferred New Build Option. It is also intended to explore further funding options to de-risk the project. Options will include further engagement with Sport England and exploring future rounds of Public Sector Decarbonisation Scheme. Due to the existing pressure on the Council's capital resources utilising Council resources and capital receipts from further asset sales are not to be considered the default fall back option in the event of a shortfall. In addition, any potential further revenue pays back to be gained from sustainability measures will be explored and applied going forwards.
- 4.5 The outcome of the option appraisal process is summarised at page 16 of the attached 'Summary of Findings' at Appendix 1. The conclusions drawn are based on a number of key points, all of which require further development to provide increased confidence in the emerging business case. Progression of RIBA Stage 2 is therefore recommended, with a further report being presented to Cabinet at the conclusion of that stage of work.
- 4.6 It is therefore recommended that the following enhancements to a base new build scheme are included to form the recommended 'Preferred New Build Option'. The Project Advisory Group have also been consulted on this proposal:
- i. Retention of 4 lane 25m pool with fixed profile
 - ii. Addition of learner pool with moveable floor
 - iii. Retain leisure water of 400m²
 - iv. Addition of 1 x multi-activity studio
- 4.7 **Cabinet is therefore asked to confirm their agreement to take forward the recommended Preferred New Build Option, as detailed at paragraph 3.8, Table 1, into RIBA Stage 2.**

¹ Borrowing costs have been calculated based on a 40-year PWLB annuity loan at 3.5%, equating to annual repayments of £47k per £1m borrowed.

5. Sustainability and Carbon Reductions

- 5.1 Sustainability and carbon reduction is a subject that is of great importance to the Council in preparing to meet targets of net zero carbon by 2030. Typically, leisure centres consume significant levels of energy in order to deliver appropriate climate-controlled environments for the activities which take place in them, especially for wet side environments.
- 5.2 During the latest review of the Tides Leisure Centre project, further work has been undertaken to understand the likely performance of a proposed facility and where practical, the Council can make improvements to retained facilities (tennis centre and sports hall) and design the new build facilities to provide the most appropriate sustainable measures, acknowledging a balance of capital investment, revenue improvements and a contribution to the Council's carbon reduction targets.
- 5.3 The development of a sustainability vision and strategy is an essential exercise to minimise energy consumption and carbon emissions from the construction and operation of the centre. The implementation of the sustainability strategy will continue throughout all future design and development stages and into operation.
- 5.4 A summary of the sustainability considerations and strategy is set out in the 'Summary of Findings' at Appendix 1. Recommendations include:
- i. Upgrades to LED lighting in retained spaces (tennis hall & sports hall)
 - ii. Potential for photovoltaics (PVs) to be installed on retained spaces and new build roof areas
 - iii. Increased U-values for proposed new build areas to ensure reduced energy consumption as reflected in the revenue model
 - iv. Further work is required on renewables options (such as air source and ground source heat pumps) with a view to de-gas Tides Leisure Centre and seek decarbonisation funding
- 5.5 As early as practical, the project team will engage will potential funding sources to investigate funding for low energy and decarbonisation matters. This will potentially reduce the capital pressures of the project on the Council (or reduce borrowing requirements) and will be reported within future updates to Cabinet.
- 5.6 **Cabinet is asked to note the proposed Sustainability Strategy and potential options to be developed further in future stages of work, that will aim to reduce carbon emissions in the new build as far as pragmatically & financially possible, subject to a business case and investigate options for decarbonising the existing indoor tennis centre and sports hall facilities.**

6. Project Management, Procurement and Next Steps

- 6.1 Members will recall that they took a series of further decisions in February 2020 in order to progress the project further at that time. The background detail and full report on these approved decisions can be found on the following link [Tides Leisure Centre Report.pdf \(dover.gov.uk\)](#) Some of these approvals are listed below for ease of reference and followed up with an update.
- i. Confirm the proposed project management arrangements, by the establishment of a Project Advisory Group and the approval of its Terms of Reference,
 - ii. That the Strategic Director (Operations and Commercial) be authorised to procure and contract to secure the professional services required to support the

project lifecycle, and that he also be authorised to appoint Faithful & Gould as Lead Consultant for the project lifecycle.

- iii. That £500,000 be set aside 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, Strategic Director (Operations and Commercial) be authorised to prepare and submit a grant application to Sport England's Strategic Facility Fund.
- iv. That the Strategic Director (Operations and Commercial) be authorised to engage with prospective partners and funders on the options for financing the new leisure centre.
- v. That the Strategic Director (Operations and Commercial) be authorised to negotiate revised operational and financial management arrangements with Your Leisure to support the funding model.

6.2 In respect of the above approvals Members should be aware of the following points:

- i. The Project Advisory Group has been established during the latest phase of work, which is led by the Portfolio Holder for Community and Corporate Property and acts as an Advisory group to support the work of the executive on this project. The project will be managed by the Strategic Director (Operations & Commercial), who will report to the Project Advisory Group.
- ii. In March 2020, Faithful+Gould were appointed under the Pagabo framework as Lead Consultant to progress the Tides Leisure Centre project. Shortly after this appointment was made, the project was put on hold. The intention is to continue, and vary, the existing appointment to align with the latest project requirements.
- iii. A previous allowance of £500,000 was set aside from the Capital Programme for the next stage of work. It is proposed that this allowance is uplifted to £600,000 as it allows for further additional consultancy advice to be procured such as a sustainability consultant, pool filtration consultant and landscape architect services, together with a Pre-Construction Service Agreement fee for a Main Contractor. Whilst all of these areas were previously considered, the scope for each has increased due to the focus on sustainability and carbon reduction matters, the options relating to pool filtration systems (such as microfiltration) increasing and needing earlier consideration, and Sport England Active Environments guidance needing more detailed input to help secure funding. Much of this work is required at an earlier stage than it might have been previously, and if the project had proceeded in 2020. The overall fee allowance within the Feasibility Report is considered to be suitable for the delivery of the envisaged project.
- iv. It is proposed that the Pagabo appointment is also varied to incorporate Operator Procurement services which align with the Business Planning and Operator Engagement services which form part of the existing appointment.
- v. Whilst there is no certainty the Council will make a funding submission to Sport England, it is prudent to include this possibility as we continue to explore funding options. It should be noted that the Sport England Strategic Facilities Fund (under which an award was received for the Dover District Leisure Centre project) is now closed. Alternative Sport England funds will be reviewed with Sport England representatives.
- vi. The outline target programme for the delivery of the project sees construction commencing in April 2024 and the new leisure centre being potentially completed

by Autumn 2025. There are potential options to improve on these dates, including phased opening of new facilities.

- vii. The 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.

6.3 **Cabinet is asked to approve the allocation of £600k from the Tides Replacement capital project budget to support the next stage of the project.**

7. **Project Programme, Risks and Reporting**

7.1 The outline target programme for the delivery of the project sees construction commencing in April 2024 and the new facility being potentially complete in Autumn 2025. These timescales are based on similar projects delivered over the last ten years but will require the Council to move forward promptly and take a series of 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.

7.2 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 and provide clear guidance on the option/facility mix to be developed.
- That the appointed consultant team through a lead consultant can commence immediately to guide the Council into the next phase of project development.
- 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 construction 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.
- Procurement of a Main Contractor, via a Framework on a two-stage basis.
- The potential phased closing and opening of facilities is yet to be explored; there may be some significant programme efficiencies depending on Main Contractor procurement & involvement, and a phased opening of new / complete facilities, which may also help improve the revenue position.

7.3 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 and many of these will be managed and mitigated by timely survey work. Some risks will remain until construction work commences and areas are opened up, such as the discovery of asbestos or unknowns during the demolition and construction phase. One 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. More significantly, however, risks relating to meeting updated Building Regulations, expectations for sustainability and low carbon solutions and agreeing consequential improvements require early engagement and consideration in the next phase of work.

7.4 Current market conditions are incredibly volatile, and whilst construction of the new centre is some time away and the market may have recovered, early engagement of a Main Contractor and their supply chain will assist in managing risks associated with material costs, resources, and delivery.

- 7.5 Positive discussions are underway with the operator Your Leisure, who has a lease arrangement in place until 31st March 2025, with the objective of agreeing operational and financial arrangements within the estimated project budget over the next phase of the project.
- 7.6 Further reports will be prepared for Cabinet at each stage of the project as the work is progressed. The target for the next report to Members will follow in late 2022 to present findings of RIBA Stage 2 work.

8. **Main Contractor Procurement**

- 8.1 The intention is to deliver the Tides Leisure Centre project via a two-stage procurement via a compliant Main Contractor Framework, under a JCT Design & Build contract, which is how the Dover District Leisure Centre was delivered. Dover District Council and the Project Team have a successful track record of delivering major wet leisure projects in this manner, which remains the most appropriate method of procuring this type of project in the current market conditions.
- 8.2 The Council are committed to undertaking procurement exercises in a compliant fashion and in the best interests of the project. Meetings have been held with the Council's Procurement Manager and the Project Advisory Group during the current phase of work to review options available and ensure the proposed route remains appropriate and compliant.
- 8.3 A review of potential Frameworks has been undertaken during this phase of work. It is recommended that the Procure Partnerships Framework (South East £12million+) framework is utilised for the delivery of the Tides Leisure Centre project via a two-stage process. BAM Construction Limited, the main contractor for delivery of the Dover District Leisure Centre is on this framework with a number of other Tier 1 contractors with suitable wet leisure experience.
- 8.4 The Procure Partnerships Framework (PPF) was competitively procured, and tendering contractors have confirmed overhead & profit rates under the framework. Under a two-stage process, the majority of packages / work are competitively procured via the appointed Main Contractor. For the Dover District Leisure Centre over 87.5% of the main contract value was competitively procured in the second stage.
- 8.5 Under PPF, there is the option to Directly Award or undertake Further Competition. BAM Construction Limited are the Direct Award Partner on the Framework as a result of being the highest scoring contractor during the competitive framework process, which also determined fixed overheads & profit for each contractor.
- 8.6 Given the nature of the project, and successful delivery of the Dover District Leisure Centre, undertaking a Direct Award would allow a Main Contractor to work alongside the Project Team from the commencement of RIBA Stage 2, providing a benefit to the team and early access to the supply chain. Whilst a Further Competition could be held, additional time would be required for this process which would result in a Main Contractor working with the Project Team from later in RIBA Stage 2, reducing the overall benefit to the project.
- 8.7 It should be noted that there is a risk that should Further Competition be held, there may be a weak response given the market conditions. BAM Construction Ltd are on the Framework and is able to demonstrate a proven track record of delivery in the District for the Council.

8.8 **Appoint BAM Construction Ltd. as the Main Contractor via a Direct Award through the Procure Partnerships Framework under a two-stage tender process and authorise the Strategic Director (Operations & Commercial) to undertake all necessary further procurement activities pursuant to that award**

9. **Resource Implications**

9.1 The approved 2022-23 Budget and Medium-Term Financial Plan includes a project allowance for Tides of £5m. It is proposed to use £600k of this to advance the project to the next phase.

9.2 If Members agree to proceed with the project, the current forecast capital cost of the Preferred New Build Option is circa £24.88m. This option is the most affordable of new build options because the improved revenue position is forecast to provide sufficient funding to repay the prudential borrowing.

9.3 In addition to the typical costs identified within the feasibility report, internal project costs have been incorporated into the budget estimates. The main assumptions are:

- DDC officer cost - £350k based on a similar level of resource as the Dover District Leisure Centre project.
- Nil Section 106 costs (or contributions)
- Nil land acquisition costs as the site is existing
- A DDC risk allocation of £500k, in addition to the construction project contingency allowance. This sum would be managed against identified risks and once risks are suitably mitigated, the allocation would be transferred into the project or passed back to the Council.

9.4 This allowance of £850k is included within the overall project budget, as detailed below:

Table 2: Summary of Projects Costs

Project costs	£000
Estimated project cost	24,030
DDC Risk allocation	500
DDC project officer time	350
Total budget required	24,880
Financed by	
External borrowing	(19,880)
External funding	TBC
Capital contribution	(5,000)
Total finance	(24,880)

9.5 The financial modelling to finance the borrowing requirement is based on revenue projections that assume a 40% uplift in latent demand projections will be reflected in health and fitness membership numbers. There are identified risks in the “40% uplift” assumption and in the build cost estimates. If either / both assumptions are amended through the RIBA 2 work, then the main options will be one, or more, of:

- Seek additional financial support from Sport England or other funders;
- Value engineers the project to save costs;
- Reduce the mix of facilities.

9.6 **Cabinet is asked to note the Working Project Budget of £24.88m, including the estimated project / build cost, risk allocation and internal DDC costs.**

10. Corporate Implications

10.1 Comment from the Director of Finance:

10.2 The capital programme includes provision for £5m towards the costs of this project (with the balance of the £24.8m coming from prudential borrowing serviced by the increase in net income) but capital resources are otherwise largely depleted. In addition, the current year and future year's revenue budgets are under increasing pressure.

10.3 Proceeding to RIBA Stage 2 is essential if the project is to be progressed. However, the cost of proceeding to Stage 2 is circa £600k and this expenditure will have been abortive if this, or an alternative, project does not then proceed to conclusion now or in the future.

10.4 The key financial risks to the project are:

10.4.1 Outturn capital costs in excess of the £24.8m

10.4.2 Increased revenue from the appointed operator being below the forecast and insufficient to service the £19.8m debt.

10.4.3 Increased interest rates raising the cost of servicing the £19.8m debt.

10.5 These risks may not materialise and will be mitigated as far as possible. If they do materialise (or if they are considered more likely), it could be at the conclusion of RIBA Stage 2 or at a later stage. Given the limited level of DDC capital funding available additional sources of funding will be sought as a matter of course. In addition, should the above risks materialise further options would be:

- Seek additional financial support from Sport England or other funders.
- Value engineers the project to save costs;
- Reduce the mix of facilities.

10.6 If none of those options prove to be deliverable the project would have to be reviewed to consider whether to proceed and on what basis. (MD).

10.7 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).

10.8 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/section/149> (KMCE).

10.9 Comment from Climate Change & Energy Conservation Officer: Energy efficiency and carbon reduction are key factors in the proposed design and build of the new Tides Leisure Centre. Reducing the emissions from the existing sports hall and tennis centre are also being considered. Therefore, sustainability is central and integral to the overall project. (AM).

10.10 Other Officers (as appropriate):

11. Appendices

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

12. **Background Papers**

- Tides Leisure Centre RIBA 1 Options Appraisal Study, Summary of Findings January 2022
- Tides Leisure Centre Stage 1 Feasibility by GT3 Architects
- Tides Redevelopment Sustainability Options by ME Engineers

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