
Subject:	TIDES LEISURE CENTRE
Meeting and Date:	Cabinet – 6 November 2023
Report of:	Roger Walton, Strategic Director (Place and Environment)
Portfolio Holder:	Councillor Charlotte Zosseder, Portfolio Holder for Community and Corporate Property
Decision Type:	Key Decision
Classification:	Unrestricted

Purpose of the report: To provide an update on the findings of the RIBA Stage 2 detailed feasibility on Tides Leisure Centre and to seek Cabinet approval to explore further options that might enable the project to move forward.

Recommendation: Cabinet is asked:

1. To note the findings from the RIBA Stage 2 detailed feasibility summary report and the challenges posed to the viability of the project by the wider economic climate.
2. To ask officers to explore whether there are any alternative solutions or sources of external funding that might provide a possible phased way forward for the project.
3. To approve the additional spend of up to £20,000 from the existing Tides Replacement capital project to support this work.

1. Summary

- 1.1 In July 2022, Cabinet agreed that the replacement of Tides Leisure Centre should move into the next stage of development, (RIBA Stage 2 detailed feasibility work), to refine design proposals, project costs and financial viability. This report presents the findings of the RIBA Stage 2 work, provides an update on the estimated construction and operational costs, and seeks to respond to the continued uncertainty being placed on the project by the challenging and changing economic climate, by setting out several options for review by Cabinet.
- 1.2 Members are asked to note the findings of the feasibility summary report, and the challenges posed to the project by the wider economic climate and agree to explore whether there are any other solutions or sources of funding that might provide a possible phased way forward for the project.

2. Introduction and Background

- 2.1 Tides Leisure Pool itself was constructed in 1987, but the building is now very outdated, and the pool is reaching the end of its design life. The mechanical and electrical equipment, which is essential to the operation of the pool, is regularly failing and, consequently there is a growing risk that this will lead to permanent closure of the pool without significant investment.
- 2.2 The Tides Leisure Centre has of course been extended over the years with a four-court sports hall was added to the building in 2002 and a four-court indoor tennis centre in 2011. Both of these buildings are in reasonable condition, but each have anticipated repair and maintenance needs.

- 2.3 Because of the phased development of the building, there is a lack of coherence between the three separate elements, which complicates its management and adds to the operational costs.
- 2.4 Tides is managed and operated on behalf of the Council by Your Leisure (YL), who are a not-for-profit charitable organisation, under a lease agreement that expires on 31 March 2025.
- 2.5 A considerable amount of investigation and research has been undertaken by the Council over the last few years to help inform the future investment proposals for Tides Leisure Centre, with a series of reports having been made to Cabinet since 2018.
- 2.6 After pausing the project in early 2020 due to the impact of the Covid pandemic, Cabinet agreed in July 2022 to take forward a proposal involving the replacement of Tides Leisure Centre with a New Build option (retaining the sports hall and tennis centre) on the existing site, into RIBA Stage 2 (detailed feasibility work). The direct award of BAM Construction Ltd as the main contractor via the Procure Partnerships Framework, was approved as a two-stage tender process and Members also noted the Working Project Budget of £24.88m. The report and appendices can be found on the Council's [website](#).

3. RIBA Stage 2 Detailed Feasibility

- 3.1 The consultant team, led by Faithful & Gould (F+G) with support from BAM Construction Ltd have now completed the detailed design and feasibility work, which was commissioned last summer following the Cabinet decision.
- 3.2 Essential surveys such as ground investigation & utilities have been undertaken to help de-risk the project and inform the progression of detailed design. The cost plan was simultaneously developed & interrogated using current market research & data from leisure centre projects under construction or recently constructed. The advice from BAM Construction Ltd under a Pre-Construction Service Agreement, given their inside knowledge of the construction market has helped to guide the value engineering process, and inform the buildability, and design development.
- 3.3 The business case was re-modelled to reflect changes in the cost plan, the potential funding available and forecast revenue improvement. The purpose of this work is to establish project financial viability and help the Council assess whether or not the project is affordable.
- 3.4 During this time, formal public engagement & consultation was undertaken on emerging design proposals between August & October 2022. A comprehensive list of over 150 core stakeholders was made aware of communication proposals & invited to participate in the public consultation workshop in Deal town centre and several drop-in events at Tides Leisure Centre. Feedback was used to inform design detail and understand any early possible concerns or issues arising from general public and key stakeholders that could be addressed during this phase of work. See Appendix 3 'Summary of Public Consultation' for more information.
- 3.5 By Autumn, it became clear the financial climate was changing considerably with substantial supply chain issues affecting the construction sector. Project costs have been compounded by the rise in interest rates, wider energy market uncertainties, and more general inflationary pressures affecting the running costs of leisure centres, which has led to a significant deterioration in the viability of the project.
- 3.6 Projected capital costs for the preferred New Build option, which were reported as £24.8m in July 2022, increased to £30.7m as costed by F+G and £32m by BAM in September 2022.

- 3.7 In response to these cost pressures, the preferred option was valued engineered to determine whether design changes could be introduced that would as far as possible meet strategic & community needs but within a reduced budget. However, projected capital costs for this reduced New Build were still £29.3m as costed by F+G and £30m by BAM.
- 3.8 In the months that followed, the project team have investigated further possible reductions to the facility mix of combined wet and dry side facilities in an effort to reduce the overall capital cost. Informal engagement with local leisure management operators helped to inform the value engineered reduced New Build to ensure quality of facilities and operations was not compromised. By May 2023, some success was achieved, and the projected capital cost had reduced to £25m as costed by F&G and £25.4m by BAM.
- 3.9 The reduced New Build cost was updated in September 2023 to include the £25m as costed by F+G and an additional £1.6m to allow for repairs to the tennis centre. This makes the total project cost of the reduced New Build option to c.£26.6m.

4. Viability Assessment

- 4.1 In summary, we now have a developed design that has been value engineered as far as is feasible and would as far as possible meet strategic & community needs.
- 4.2 However, the impact of the challenging and changing economic climate has meant that there are serious doubts as to whether the project is viable, given the demands the project would place on the Council's Capital and Revenue Budgets were it to be progressed.
- 4.3 The consultant team have summarised the funding & affordability of the project in the attached report (Appendix 1, Page 10) as follows:

RIBA STAGE 2 COST PLAN	Reduced New Build (Historic utility costs)
Total Project Cost	£26,686,712
Total Capital Deficit	-£8,959,161
Revenue required to cover capital funding deficit	£545,509

- 4.4 A more detailed table of the funding & affordability of the project can be found at the attached RESTRICTED Appendix 2.
- 4.5 This shows that as it stands the project to be progressed in its current form, would require either an additional £9m of capital funding or increased borrowing which would add £545k per annum to the revenue budget. Given the wider demands placed on the Council's Capital and Revenue Budgets, it is clear that this is not affordable.
- 4.6 In parallel with the consultant team investigations, a high-level capital cost exercise was also undertaken by officers at DDC to investigate a Dry side only option. This was conducted in response to the continued financial pressures from the cost-of-living crisis, impacting customer disposable income, unprecedented rising utility costs and the general rise in pool operational running costs. The exercise included consideration of any repairs required to the indoor tennis centre. The capital cost of Dry side only is £8.2m. Under this option, the current wet side facilities would be closed, decommissioned, and demolished. The financial implications of this option are set out

at Appendix 1, which shows that even this option would still increase the financial pressures, whilst not meeting strategic and community needs.

- 4.7 To give some context to the challenging and changing economic climate, it should be noted that Dover District Leisure Centre was built for £26.4m in 2019. Dover District Leisure Centre is almost double in size and offers significantly more new facilities when compared to the RIBA Stage 2 reduced New Build proposals for Tides Leisure Centre costed at c.£26.6m in September 2023.
- 4.8 A number of factors have also impacted the revenue position since the original business planning that was completed in 2019. These are principally the significant increases in utility costs and increased staff costs as leisure operators, struggle to recruit and retain staff. These issues have increased operating costs.
- 4.9 In terms of affordability, these revenue cost pressures have reduced the net revenue performance, while construction cost inflation has increased the total project costs. In addition, the increase in PWLB borrowing rates from c.3.5% in 2019 to 5.75% in September 2023 have combined with the other factors to further increase the affordability gap. It should also be noted that Sport England are no longer providing significant capital funding to projects of this type and there would seem to be no current prospect of similar funding being made available by Sport England in the short term.
- 4.10 The reduced New Build scheme is currently at the end of RIBA Stage 2. This scheme could move forward into RIBA Stage 3 fairly swiftly with any agreed changes implemented during this stage of work. The Dry side only option is at an earlier stage and would likely involve a procurement exercise to appoint a consultant team to develop a RIBA Stage 1 Feasibility Study for further consideration by the Council prior to advancing.
- 4.11 The reduced New Build has an agreed procurement route for the consultant team and main contractor. There are sufficient differences between the reduced replacement and Dry side only schemes which may therefore require a different procurement approach however this would be reviewed with Council Procurement Officers.

5. Next Steps

- 5.1 Given the continued uncertainty in the leisure & construction market, the report on funding and affordability, and the Council's financial capabilities and pressures, it is quite clear that it is difficult to see how the project can be progressed in its current form.
- 5.2 However, the challenges posed by the ageing facilities at Tides Leisure Centre remain and the Council still needs to find a solution to these.
- 5.3 It is therefore proposed to review over the next couple of months the following options and then report back to Cabinet to see whether any of these options provide a basis from which the project can potentially move forward.

A. Pool only option (with retained Sports hall and Tennis Centre)

Consider whether it is feasible to simplify the new build option to include a pool alone without the gym or other ancillary facilities.

B. Improvements to potentially extend the life of the pool.

Review the costs of extending the life of the current pool and the business case to do so.

C. Review of alternative funding models with external partners.

Explore whether other funding sources from the private sector exist to enable the scheme to be delivered.

6. Management of Tides Leisure Centre

- 6.1 Your Leisure (YL) Ltd manage and operate Tides Leisure Centre under a lease agreement, which is due to expire on 31 March 2025. They receive an annual grant from the Council of £100,350 to support operations and this year an additional grant of £100,000 was approved for 2023/24 to combat the unprecedented rise in utility costs and the impact that this was having on YL's operational running costs.
- 6.2 The Council has continued to engage with YL throughout RIBA Stage 2 and on the more recent investigation of the Dry side only. With under seventeen months remaining on the current lease, there is opportunity to reconsider future operations and how this could be progressed. Decisions on future management arrangements will depend on which of the options noted above, if any, are taken forward.
- 6.3 Members should also note that several essential plant items have failed recently, and it is imperative that repairs are completed to keep the swimming pool operational. The Extractor Supply Fan provides essential ventilation by controlling humidity in the pool by removing damp air. The fan has failed due to age related corrosion. Additionally, the air handling pumps that supply hot water to heat the incoming air have failed. A budget of up to £19k has been allocated to enable the necessary repairs to be undertaken. One of three circulation pumps and associated electrical equipment that function to circulate water through filters to maintain clean safe water in the pool is also in need of repair. A budget of up to £10k has been allocated to rectify these damages. Given the age and condition of the pool plant, there is likely to be a growing demand on the contingency budget required for essential pool maintenance. There is currently £180K left in the refurbishment of Tides Project.

7. Identification and Evaluation of Options

- 7.1 Option 1: To ask officers to explore whether there are any alternative solutions or sources of external funding that might provide a possible phased way forward for the project and approve the allocation up to £20k from the Tides Replacement capital project to support this work.
- 7.2 This is the preferred option because it enables the Council to respond to the continued challenging & changing financial economic climate whilst continuing to seek to help to deliver optimum level of benefits to community and to the Council at the most affordable level of investment and within the council's financial capabilities.
- 7.3 Option 2: To not approve the allocation of up to £20k to fund the re-evaluation of available options as set out in this report and do nothing.
- 7.4 This is not recommended because the leisure centre is significantly aging and the pool plant reaching end of life. The building is becoming increasingly more expensive to maintain and run; it is a negative contributor to the council achieving its net zero carbon ambitions.

8. Resource Implications

- 8.1 The approved 2022-23 Budget and Medium-Term Financial Plan included a project allowance for Tides of £5m. Following the completion of RIBA Stage 2, the remaining allowance is £4.4m.
- 8.2 The additional spend of £20k as requested by this report will complete the evaluation of affordability of the options for a subsequent Cabinet report on the future of the centre. This will be funded from the existing approved provision for Tides Replacement Capital Project.

9. Climate Change and Environmental Implications

- 9.1 Energy efficiency and carbon reduction will be reviewed in the available options for re-evaluation. Sustainability will be re-considered throughout the next phase of project development.

10. Corporate Implications

- 10.1 Comment from the Director of Finance (linked to the MTFP): The funds for capital projects are extremely limited and there are no significant external funding sources currently available. The additional spend of £20k will complete the evaluation of affordability of the options for a subsequent Cabinet report on the future of the centre. It is anticipated that the current provider will potentially need an uplift in their grant in 2024/25 to continue running and if there is no major investment to renew the facility then there are likely to be significant remedial repairs from time to time on a building and plant and equipment that is at the end of, or even beyond, its operating life (MD).”a
- 10.2 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.
- 10.3 Comment from the Equalities Officer: This report seeking approval to re-evaluate available options for delivering a new facility in Deal, 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>.

11. Appendices

Appendix 1 - RIBA Stage 2, Summary of Findings – September 2023

RESTRICTED Appendix 2 - RIBA Stage 2, Detailed Summary of Funding & Affordability.

This appendix is RESTRICTED - NOT FOR PUBLICATION by reason that it contains information which is exempt by virtue of the provisions of Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Local Government Act 1972

Appendix 3 - Summary of Public Consultation.

12. Background Papers

- Tides Leisure Centre RIBA 2 Options Appraisal Study, Summary of Findings January 2022
- Tides Leisure Centre RIBA Stage 2 Feasibility by GT3 Architects
- Tides Redevelopment Sustainability Options by ME Engineers

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