
Subject:	TIDES LEISURE CENTRE
Meeting and Date:	Cabinet – 13 January 2025
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 seek Members' agreement to progress construction to RIBA Stage 3 & 4 and to start tendering for management of the new Deal Leisure Centre.

Recommendation: Cabinet is asked:

1. To approve proceeding to RIBA Stage 3 and 4 development of the Six Lane Pool Option, funded by up to £1,068,000 already included in the capital programme funding.
2. To delegate authority to the Strategic Director (Place and Environment), in consultation with the Portfolio Holder for Community and Corporate Property, to take all necessary steps to progress RIBA Stage 3 and 4, including tendering the contract to manage the new Deal Leisure Centre.
3. To note and consider a separate report to Members on the review of interim operating arrangements for Tides, and their costs, during construction work.

1. Summary

1.1 This report addresses two main issues to be resolved to progress the Deal Leisure Centre (DLC) project. They are:

(a) the preferred facilities mix of the new DLC:

The six-lane pool option has been developed to more a detailed feasibility stage (RIBA Stage 2). It provides the same core facility mix as reported in July 2024, however, the pool size has increased from five to six lanes with inflatable fun opportunities, it has Sport England pool depth, and proposals now include a toddler splash pad which has helped improved the business plan. The project could potentially be complete by Summer 2027.

(b) the future operator of new DLC.

Five management options have been considered for the new Deal Leisure Centre. Each option has been evaluated against twelve criteria including financial return, level of risk transfer, alignment with Council's

strategic priorities and set-up costs. Outsourcing to a leisure operator has been identified as the most appropriate option.

1.2 This report will consider the Facilities Mix in terms of the following headings:

Costs and Viability	Identification and Evaluation of Options
Public Engagement	Next Steps and Milestones
Member Involvement	Risks
Management Options	Resource implications
Operations Contract Length	

2. The Facilities Mix

2.1 Working with Alliance Leisure Services & Pellikaan Construction, a review has been undertaken of the facilities mix focusing on the construction costs, income and viability. The two options are:

- (a) a 5 lane pool with no splash pad and 80 health and fitness stations versus;
- (b) a six lane pool with inflatable fun opportunities, a splash pad, and 100 health and fitness stations

These options are set out more fully in Table 1 - Facility Mix:

TABLE 1 – Facility Mix

Activity Areas	Existing	ALS 5 Lane Pool	ALS 6 Lane Pool
Indoor tennis centre	Retained in situ	Retained in situ	Retained in situ
4 court sports hall	Retained in situ	Retained in situ	Retained in situ
Main pool	Wave pool with beach area	5 lane 25m pool	6 lane 25m pool
Leisure water/splash pad	Small pools and 1 x body slides	None	Splash Pad
Sauna & steam room	Sauna and steam	None	None
Health and fitness	40 Stations	80 stations	100 stations
Toning Studio	None	16 x toning tables	16 x toning tables
Multi activity studio	None	2 x studios (24 persons per class)	2 x studios (24 persons per class)
Spin studio	None	1 x studio (25 persons per class)	1 x studio (25 persons per class)
Café (150 seats) with poolside viewing	Capacity for 100 people	Capacity for 62 people	Capacity for 62 people
Estimated lifespan		50 years	50 years

2.2 To accommodate the proposed six lane pool with a toddler splash pad, the new build area would have to be increased to approximately 2,537 square metres which is 75 square metres over and above that was reported in July 2024 on the 5-lane pool base scheme. See Appendix 4 for more details on RIBA Stage 2 design.

3. Costs and Viability

3.1 The six-lane pool option, with an additional lane and splash pad is expected to generate more income, strengthening the business case and making this option more financially viable than the five lane pool option. The funding gap has reduced from £3m to deliver a five-lane pool to £900k to deliver a six pool.

3.2 The table below shows how the project will be financed and the pressure on the General Fund.

TABLE 2 – RIBA Stage 2 Cost Plan

RIBA STAGE 2 COST PLAN	July 2024 ALS 5 Lane Pool	Dec 2024 5 Lane Pool Proposal	Dec 2024 6 Lane Pool Proposal
Total estimated project cost	19,200,000	19,963,324	20,407,150
Less existing Capital Plan Allocation	4,400,000	4,400,000	4,400,000
Capital plan allocation 2025/26	1,500,000	1,500,000	1,500,000
Total funding required	13,300,000	14,063,324	14,507,150
Additional funding required to be financed by 50-year 5.05% annuity loan	13,300,000	14,063,324	14,507,150
Annual cost of annuity loan	760,000	805,000	830,000
Less Improvement in revenue available to fund borrowing (1) See below	650,000	650,000	750,000
Net Annual Budget pressure	110,000	155,000	80,000
Current Net Revenue	(250,000)	(250,000)	(250,000)
Forecast Net Revenue (subject to confirmation at tender)	400,000	400,000	500,000

3.3 It is clear from the table that, based on the costs of a 50-year annuity loan at 5.05%, the additional revenue arising from the introduction of an additional lane and a splash pad provide greater viability and a smaller annual revenue budget pressure of £80k.

3.4 Sensitivity analysis indicates that a reduction in interest rates of 1% would reduce the annual budget pressures by £105k, and an increase of 1% would increase them by £230k per annum. Please see paragraph 3.3.2 of the Cabinet report for the 29 July 2024 for the sensitivity analysis for the 5-lane pool costing £19.2m.

4. Public Engagement

4.1 From 23 September 2024, nine events were held over a four-week period across Deal & Dover at different venues, times and days of the week. Design workshops were delivered with accessibility groups and swimming clubs. Over 200 stakeholders were contacted, and the Council received 977 completed online surveys and 979 face to face discussions. 69% of respondents supports the construction of a new leisure centre and 63% of respondents indicate they are very likely/likely to use the new leisure centre.

4.2 There was interest across all ages with users and non-users of Tides Leisure Pool. A recurring theme included disappointment that the Council is not proposing to replace the beach pool with slides. There was widespread recognition that provision for young children was very important.

- 4.3 Some participants expressed preference for Deal Leisure centre to provide a different offer to Dover District Leisure Centre. But there is also strong support for lane swimming provision in Deal, particularly from swimming clubs such as Deal Tri & Dover Lifeguards and local residents who struggle to get sufficient lane time at Dover District Leisure Centre. However, testing of the increased pool size with seasonal inflatable fun and a possible new splash pad was welcomed and generally supported.
- 4.4 For more details on public engagement & feedback, see Appendix 1 - Public Engagement Summary Report.

5. Member Involvement/Project Governance

- 5.1 Member engagement and briefing on the project has been extensive. The full list of reports presented to Members is provided in the Background Papers with further details set out in Appendix 2 – Historic Project Background.
- 5.2 In addition, a Project Advisory Group (PAG) has operated to provide more detailed feedback and engagement from Members.
- 5.3 The Project Advisory Group have reviewed and discussed project progress with officers and the consultant team. Members have provided their input and unanimously confirmed that the six-lane pool option was preferred. PAG agreed to recommend this option to Cabinet Members.
- 5.4 PAG acknowledged the ongoing deterioration of the Tides Leisure Pool has driven the need to close the pool by 31 March 2025 (in line with Your Leisure Ltd lease ending) unless it is closed sooner by a forced unplanned closure. The gym, which is located inside the pool building will also close on 31 March 2025. The consequence of the pool and gym closure is discussed in a separate report to Members to review interim operating arrangements.

6. Management Options

- 6.1 Five management options have been considered:
- A. Outsourcing to a leisure operator
 - B. In-house management
 - C. Establishing a local authority trading company (Teckal)
 - D. Establishing a new leisure trust
 - E. Asset transfer.
- 6.2 The options were each evaluated against 12 criteria covering issues such as likely financial return, level of risk transfer, alignment with Council's strategic priorities and set-up costs.
- 6.3 Overall, Option A (outsourcing) was identified as the most appropriate route because it offers the best balance of financial return and transfer of operational and asset risk, while maintaining publicly accessible facilities and protecting the centre from future budget cuts. In addition, it offers the opportunity for a future combined Council leisure management contract with Dover District Leisure Centre (DDLCC).
- 6.4 Option B (in-house) would be expensive and operationally challenging to implement and would also offer the weakest financial return. Options C and D would similarly be expensive and time consuming to set up and would not deliver as strong a financial return

as Option A. Option E, while being a relatively simple option to implement, would mean that the Council would lose almost all strategic and operational control over the centre.

7. Operations Contract Length and Timetable

7.1 The two key factors in considering contract length have been aligning the contracts for Dover District Leisure Centre (DDLC) and Deal Leisure Centre (DLC) into a single contract when the DDLC contract expires and offering a contract for the DLC long enough to maximise potential interest from the market.

7.2 In brief, the options are to offer a 14 year contract for DLC or a 7 year contract. However, both options have a number of variables as set out below. The key differences between the options are in bold and underlined.

7.3 Contract One: The 14 years option from January 2026 to March 2040.

- The new operator would manage the Indoor Tennis Centre (ITC) and sports hall only for a period of 16 months until the new Deal Leisure Centre is complete (May 2027)
- The new operator would manage the full DLC from May 2027 until contract expiry in March **2040 (12 years, 11 months)**
- The contract for DDLC would **not be extended** and would expire in March **2030**
- A new 10-year contract for DDLC would be procured to run from April 2030 to March 2040
- Following this, a new single leisure management contract (DDLC and DLC) could be procured to run from April **2040**.

7.4 Contract Two: The 7 years option from January 2026 to March 2033.

- The new operator would manage the ITC and sports hall only for a period of 16 months until the new Deal Leisure is complete (May 2027)
- The new operator would manage the full Deal Leisure Centre from May 2027 until contract expiry in March **2033 (5 years, 11 months)**
- The contract for DDLC would be **extended by 3 years** and would expire in March **2033**
- Following this, a new single leisure management contract (DDC and Deal Leisure Centre) could be procured to run from April **2033** or otherwise.

7.5 Although a single contract won't be achieved until 2040, Contract one was selected as the preferred route because the length of contract is more attractive to the market and is likely to generate more competition and a better financial result for DDC.

7.6 Subject to Member approval, the operator procurement process is scheduled to start in January 2025 and conclude with contract commencement in January 2026. A more detailed timescale is provided at Appendix 3.

7.7 The interim period between the current operator lease ending and a new contract starting equates to nine months. This unusual timeframe arises from the continued review of project development & programme that initiated over seven years ago as detailed in Appendix 3 of this report. As a result of this, and since July 2024, Members are now presented with proposals for a new Deal Leisure Centre comprising of increased facilities with a significantly improved business case delivering better value for residents in Deal and the wider district. It is worth noting it is not possible to tender the operation for a new Deal Leisure Centre any sooner than is programmed and set out in Appendix 3.

8. Identification of Options

8.1 Option one – To proceed to RIBA Stage 3 & 4 development of the Six Lane Pool Option.

8.2 Option two - To proceed to RIBA Stage 3 & 4 development of the Five Lane Pool Option

8.3 Option three – To not progress the project and accept that the Tides Leisure Centre will close at the end of its economically viable life.

9 Evaluation of Options

9.1 Option 1 – Recommended. To proceed to RIBA Stage 3 & 4 development of the Six Lane Pool Option and to progress tendering the contract to manage the new Deal Leisure Centre.

9.2 As shown in TABLE 2, this option is both the most economically viable, provides the best mix of facilities and most closely meets Member and public aspirations. The additional delegated authority helps to ensure project momentum and expediate delivery within the indicative ambitious project programme. For these reasons this is the preferred option and requires £1,068,000 to progress to RIBA stages 3 and 4.

9.3 Option 2 – Not Recommended. To proceed to RIBA Stage 3 & 4 development of the Five Lane Pool Option

9.4 Although more modest in size and facilities, the lower range mix of facilities is expected to reduce income and therefore this option is less financially viable. For this reason, this is not a preferred option.

9.5 Option 3 – Not Recommended. To not progress the project.

9.6 This option would entail the likely early closure and demolition of Tides with no replacement. Although this would avoid committing significant capital resources and additional revenue pressures it does not meet Member and public aspirations and is not the recommended option.

10. Next Steps

10.1 The next immediate steps required are as follows:

- RIBA Stage 3 - design which involves progressing with a planning application submission based on the developed Stage 3 design.
- RIBA Stage 4 - design and undertake costing exercise to achieve a fixed construction cost.
- Agree what, if any, arrangements are made for Tides during the period of construction. This is the subject of a separate RESTRICTED report.
- Proceed with the operator tender procurement exercise for future long-term management & operations of Deal Leisure Centre, contract commencing from January 2026.
- Engage with, cross-party, Tides Project Advisory Group.
- Reported to Cabinet with findings and recommendations in Autumn 2025.

10.2 If the project proceeds, the key project milestones will be:

- RIBA Stage 3 – January 2025 to May 2025

- Planning Application Submission – May 2025
- Planning Award – September 2025
- RIBA Stage 4 & Pricing – May to October 2025
- Cabinet decision to proceed – October 2025
- Lead In/Enabling – November 2025
- Demolition of existing Tides LC – December 2025 to January 2026
- Start of new leisure management contract – January 2026
- Construction of new Deal LC – February 2026 to May 2027

11. Risks

- 11.1 As reported to Cabinet previously, there are several risks associated with the project which will require appropriate management and mitigation where possible. The main risks are updated below.
- 11.2 The bids from potential operators are not high enough and so the net improvement in the financing is not sufficient to support the required borrowing, leaving either an additional revenue pressure, or consuming more of the existing, and limited, capital resources.
- 11.3 Borrowing costs increase or at least stay high.
- 11.4 The tenders for the build are greater than anticipated.
- 11.5 Working on an existing building is inherently risky, as it isn't always possible to understand the exact condition of capability of the existing structure until elements are exposed and tested.
- 11.6 There is likely to be asbestos requiring removal as part of the demolition exercise. A full asbestos survey is not possible until the existing building is closed, therefore this risk can't be fully mitigated until works commence.
- 11.7 The existing building is nearing the end of its useful life and is certainly incredibly inefficient in terms of energy use. It is a significant risk keeping the building open and in operation as plant and structural failures are likely.
- 11.8 Ground/ site conditions and potential split-level buildings are a risk which includes cut and fill and general remodelling of the site along with demolition works as it isn't clear or involves a straightforward process until works commence.

12. Resource Implications

- 12.1 To date, c£1.5m has been spent on project investigations and undertaking essential repairs and maintenance. If approved, the Council will be committing to spend a further £1,068.00 to progress the project to RIBA Stages 3 and 4.
- 12.2 If the project proceeds to completion, then, based on current estimated costs the Council will commit to a project of £20.4m. £4.4m has already been allocated from the capital programme, with a further £1.5m being committed from the Capital plan allocation 2025/26 leaving £14.5m to be funded from borrowing. The projected improvement in the revenue position of £750k arising from a saving in £250k support to Your Leisure and a forecast £500k payment from the appointed new Deal Leisure Centre operator will finance £13.6m of the loan leaving a budget pressure to fund the remaining £0.9m of the loan.

- 12.3 In considering the finance implications Members should be aware that the General Fund revenue budget is under pressure and that capital resources are already heavily depleted.

13. Climate Change and Environmental Implications

- 13.1 RIBA Stage 2 design has commenced with the achieving BREEAM credits to achieve a “Very Good” rating. The credit targets and collation will continue throughout the project. ‘Passivhaus’ principles approach will continue to be taken, ensuring high levels of airtightness and correct material choices to help insulate relevant spaces, amongst other ‘Passive-principles.
- 13.2 The M&E consultant (CGP), has set out environmental and sustainable features within their Stage 2 report, incorporating sustainable features such as:
- a) Photovoltaic Panels (PV)
 - b) Air Source Heat Pumps (ASHP)
 - c) Electronic car charging points (EV).
 - d) LED lighting throughout.

14. Corporate Implications

- 14.1 Comment from the Director of Finance (linked to the MTFP): Members are reminded that the Council's revenue and capital resources are under pressure and so they will wish to assure themselves that all proposals progress the Council's priorities, are the best option available and will deliver value for money.
- 14.2 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 comment to make.
- 14.3 Comment from the Equalities Officer: This report seeking to approve the allocation up to £1,068,504 from the Tides Replacement capital project and confirm agreement to proceed with RIBA Stage 3 & 4 development of the proposed Six Lane Pool Option with toddler splash pad does not specifically highlight any equality implications. 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>
- 14.4 Other Officers (as appropriate):

15. Appendices

- Appendix 1 – Public Engagement Summary Report
- Appendix 2 – Historic Project Background
- Appendix 3 – Operator Contract Procurement Timetable
- Appendix 4 – RIBA Stage 2 Design

16. Background Papers

- 13 January 2025 - Tides Leisure Centre - Review of Interim Operating Arrangements
Previous Cabinet Papers: -
- 29 July 2024 – Tides Leisure Centre
- 6 November 2023 – Tides Leisure Centre.

