



**COUNCIL CABINET**  
**8 November 2017**

**ITEM 10**

Report of the Cabinet Member for Governance and Finance and the Cabinet Member for Leisure, Culture and Tourism

**New Swimming Pool Complex at Moorways**

**SUMMARY**

- 1.1 The Leader of the Council has made six key pledges on behalf of the whole Council, which includes the building of a new swimming pool complex. The pledge states that the Council will start building a new swimming pool by the end of 2017, which will open in 2020. Phase two of the current Leisure Facility Strategy (LFS) is being progressed to achieve this on the site of the existing Moorways swimming pool.
- 1.2 AR Demolition was awarded a contract to demolish the old swimming pool complex in July 2017; works have commenced on site and are due to be completed in December 2017 achieving the Council's pledge.
- 1.3 On 12 April 2017, Cabinet resolved that MACE Consultants (Mace) and their appointed design team should progress the project on the basis of the enhanced facility mix option for the Swimming Pool Complex and identify the ideal position for the new facility on the Moorways site, in order to maximise the potential for future wider site development opportunities.
- 1.4 The Mace design team have worked up RIBA stage 3 designs, based on the enhanced facility mix option. The enhanced facility mix includes a 10 lane, 50m swimming pool with more significant additional complementary leisure facilities at an indicative project budget of up to £32,940,000. This enhanced model provides a more commercial approach to the operation of the overall facility.
- 1.5 The enhanced facility mix option that has been designed requires the capital programme budget to be increased. The additional capital funding of £13,000,000 has been identified through the forecast capital receipts from the disposal of surplus properties. In order to progress to the next stages of the project Cabinet are asked to recommend to Council approval of the additional funding. This would allow a capital budget of £33,000,000 to be approved which is within the maximum envelope value of £35,000,000 to allow the new Swimming Pool Complex to be built and to also proceed to Part Three of the contract with Mace. Part Three includes the build of the new Swimming Pool Complex, practical completion and handover.
- 1.6 Subject to the approval of the required budget at the Council meeting in November, it is proposed that procurement of the build contractor would commence at the end of November 2017 and that this would follow the procurement strategy that was approved at the 12 April 2017 Cabinet.

- 1.7 FMG Consulting Ltd has continued to work on the business case using three models; Council run, Local Trust and Out-sourced delivery models. The findings show that within the revenue budget set aside in the MTFP 2017/18- 2019/20 of a £400,000 subsidy that two options fit within this envelope; these being a Trust and an Out-sourced delivery model. The budget figures in this report make the assumption that the operation of the facility is through one of these two options and should this not be the case the revenue budgets would need to be revisited within a future MTFP process.
- 1.8 To further assist with delivering this project it is currently proposed to submit a planning application for consideration at the Planning Committee in early 2018.

<b>RECOMMENDATION</b>
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- 2.1 To note that public engagement on the RIBA stage 3 designs occurred, between 25 September and 8 October 2017, and that the majority of respondents fed back very positively on all the key aspects of the engagement. See Appendix 4.
- 2.2 To approve the RIBA stage 3 developed design for the proposed new Swimming Pool Complex at Moorways based on the proposed enhanced facility mix of a 50m swimming pool, learner pool, leisure water, fitness suite, studios, café and other ancillary facilities to develop a more commercial leisure offer and to approve progressing the detailed designs for the new Swimming Pool Complex.
- 2.3 To note the phased approach for the planning strategy for the new Swimming Pool Complex; the pool being phase 1 and the wider site phase 2 as outlined in paragraph 4.14 and to approve continuing to develop phase 1.
- 2.4 To recommend to Council an increase in the capital programme for the project of £13,000,000 to provide a capital budget of £33,000,000, which is within the maximum envelope value of £35,000,000 and that the 2018/19 - 2019/20 Capital Programme be re-profiled accordingly.
- 2.5 To note that £400,000 per annum was added to the MTFP 2017/18-20 for the new Swimming Pool Complex to provide the revenue budget for the projected subsidy for the facility. Current analysis indicates that this will be sufficient if the facility is delivered by either a Trust or an Outsourced option. The budget figures in this report make the assumption that the operation of the facility is through one of these two options and should this not be the case the revenue budgets would need to be revisited within a future MTFP process.
- 2.6 Subject to Council approval of the capital programme budget and the approvals required in paragraphs 2.2 and 2.3, approve proceeding with the procurement of a build contractor for the new Swimming Pool Complex at Moorways at the end of November 2017, and to delegate authority for the award of the contract for the building works to the Strategic Director for Communities and Place, following consultation with the Director of Finance, the Cabinet Member for Governance and Finance and the Cabinet Member for Leisure, Culture and Tourism.

- 2.7 To approve proceeding with Part Three of the contract with MACE (Tender Reference: TD1155) to progress with the build and handover of the new Swimming Pool Complex subject to successful planning approval, procurement of a preferred build contractor, and the approval of the increased capital budget . To note that a variation to the contract will need to be progressed to reflect the current value of the project and that there will be an increased fee agreed with MACE based on the revised value of the project.
- 2.8 To note and accept the risks associated with continuing with this project as identified in the report.

<b>REASONS FOR RECOMMENDATION</b>
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- 3.1 To allow the timeline for delivering this project to be maintained and keep on track to open the new Swimming Pool Complex in 2020 delivering a much improved and modernised leisure facility offer within the city. Further supporting the Council's 15 year vision to be a safe, strong and ambitious city with an ambition to be one of the most active in England.
- 3.2 The FPM showed by 2028, much of the City's current swimming pool stock will have reached the end of its active life without significant investment; this includes Queen's Leisure Centre, the future of which will need to be reviewed as part of the progression of the plans for the new Swimming Pool Complex. The current expectation is that it will close when the new facility opens. Moving forward with the provision of new facilities helps meet the demands of swimming which will benefit the City and its communities.



Derby City Council

**COUNCIL CABINET**  
**8 November 2017**

Report of the Strategic Director for Communities and Place

<b>SUPPORTING INFORMATION</b>
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**Introduction**

- 4.1 The Leader of the Council has made six key pledges on behalf of the whole Council, which includes the building of a new swimming pool complex. The pledge states that the Council will start building a new swimming pool by the end of 2017, which will open in 2020. Phase two of the current Leisure Facility Strategy (LFS) is being progressed to achieve this at the Moorways site.
- 4.2 At the 12 April 2017 Cabinet it was approved to progress the designs for the proposed new Swimming Pool Complex at Moorways based on the enhanced facility mix up to a maximum capital cost of £35,000,000, to proceed with procuring a demolition contractor and awarding the contract, and the procurement strategy was approved for the main construction contractor.

**Demolition**

- 4.3 As part of the original feasibility the demolition works of both the existing Sports Centre and Swimming Pool were separated from the main contract for the construction of the proposed new Swimming Pool Complex to allow site works to commence in 2017.
- 4.4 Following the procurement process AR demolition was appointed to complete the demolition and works commenced on site in September 2017. These demolition works are due to be completed by the end of December 2017.

**RIBA Stage 3 Designs**

- 4.5 The external appearance and floor plans for all levels can be found in Appendix 2.
- 4.6 The RIBA Stage 3 designs are based upon the enhanced facility mix, agreed at 12 April Cabinet, and include a ten lane 50m pool, learner pool, leisure water, fitness suite, three studios, café and ancillary facilities (these include treatment rooms, meeting rooms and a 300m<sup>2</sup> multi use area).
- 4.7 The detailed floor plans are available on request.

#### **4.8 Public Engagement**

A two week public engagement exercise was undertaken between Monday 25 September and Sunday 8 October. The exercise was publicised through the local press, council websites, social media, publicity materials at leisure centres and the Council House as well as correspondence with key stakeholders. In total 228 surveys were completed. A copy of the full report is shown in Appendix 4.

- 4.9 The public engagement exercise survey asked respondents to provide feedback about key areas of the proposals for the complex. Specifically respondents were asked to feedback on use of the complex, facilities to be included as part of the complex as well as external appearance and parking. The majority of respondents fed back very positively on all the key aspects of the engagement.

84% indicated that they would be either very likely or fairly likely to use the complex.

79% responded to say that they liked how the complex looked.

72% liked the size and design of the car parks.

The majority agreed with all proposed facilities within the complex, support ranged from (96%) for a café to 62% for treatment rooms.

- 4.10 As part of the public engagement survey respondents were asked if they had any further comments to make about the new swimming pool complex. In total 61% of respondents provided comments, the top three themes that came through were:

1. There should be slides, flumes and other “fun” features.
2. Good disabled access is important.
3. It is important accommodate families.

The RIBA stage 3 designs take into account the feedback and examples include:

1. The leisure water would contain fun features such as slides, tipping buckets and water jets.
2. Good disabled access would be achieved through the inclusion of disabled people’s parking spaces, ramp access to the main entrance, induction loops, lifts to all floors and equipment to provide access to the 50m swimming pool. An Equality Impact Assessment has also been undertaken on the design of the facility with the Councils Equality Forum’s.
3. The facilities would accommodate families by having family changing cubicles, soft play, leisure water, a learner pool and a café.

The results of the public engagement exercise indicate there is strong appeal with a high likelihood of use for the proposed new swimming pool complex.

### **Procurement**

- 4.11 The procurement process for the main construction contractor identified and agreed at the 12 April 2017 Cabinet was to be through an open tender process using the eProcurement portal. It is proposed that this will be commenced at the end of November 2017 subject to Council approval of the capital programme budget.
- 4.12 The main procurement and contract option that addressed the majority of the key considerations more than any other was a design and build tender via a two stage route. This is to be achieved via an open OJEU procedure approach to select the preferred contractor to take through to develop the detailed design.
- 4.13 It is also the view that the NEC Option A form of contract could be used, based on a design and build approach. This is a lump sum / fixed price contract which is commonly used by local authorities and has been used on recent major DCC capital projects.

### **Planning Strategy**

- 4.14 The overall master planning of the swimming pool and wider site opportunities is to be a phased strategy. The new Swimming Pool Complex being phase 1 and the wider site master plan phase 2. The benefit of such a strategy allows the pool to progress as per its programme allowing the planning application to be submitted for consideration in early 2018. However the masterplan should still be considered and progressed to a point where an outline planning application can be submitted.
- 4.15 Mace has appointed a planning consultant, Turleys, to oversee and co-ordinate the planning application.

### **Finance**

- 4.16 On 12 April 2017 Cabinet gave approval for the progression of the detailed design of the new Swimming Pool Complex up to a maximum value of £35,000,000. However this report recommends that £33,000,000 is formally added to the capital programme to reflect the indicative value of the RIBA stage 3 designs and to enable the procurement process to progress, for the build contractor, subject to Council approval of the additional £13,000,000. The maximum envelope value for the project remains at £35,000,000. It is proposed that forecast capital receipts relating to the disposal of surplus properties is used to fund the additional £13,000,000. Where the actual funding is provided from will be determined by Finance at the time that the expenditure takes place.
- 4.17 In order to consider the revenue impact of the new swimming pool complex, FMG Consultants Ltd was employed to provide the revenue projections under three operating models. As the design work has continued to RIBA stage 3, the financial business case has evolved on that basis. This report provides the latest figures from the work on the revenue business case for consideration by Cabinet. These figures are still being refined as the design develops.

- 4.18 £20,000,000 of capital expenditure is already included in the capital programme for this project that was approved by Council as part of the previous MTFP process.
- 4.19 A summary of the projected revenue positions are included in Table 1 below:

Table 1	Council run facility	Outsourced	New Leisure Trust
	£'000	£'000	£'000
Total revenue subsidy/(surplus) required for year 1 of operation– including Lifecycle costs and excluding loan repayments	1,367	558	608
Ongoing annual revenue subsidy/(surplus) after year 5 of operation – including Lifecycle costs and excluding loan repayments	825	(162)	(86)

It is clear from these projections that purely from a financial affordability point of view, the Outsourced option and Trust option are the most beneficial to the Council as they both could potentially achieve a nil subsidy by the time the operations are in the fifth year. It is believed that the subsidy required in the first four years as well as the pre-opening costs could potentially be contained within current budgets following the addition of the £400,000 each year to the MTFP.

The budget figures in this report make the assumption that the operation of the facility is through one of the two alternative governance options and should this not be the case in the future then the revenue budgets would need to be revisited within a future MTFP process. The key differences between both the Outsourced and Trust models and a Council run facility are:

- Estimated saving of circa £550,000 NNDR per annum
  - 20% VAT savings on Health & Fitness and Swimming income
- 4.20 An investment appraisal has been carried out on the £35,000,000 expenditure the result of which is that the project, over a 20 year period exceeds a negative NPV of £30,000,000. This is due to the Council providing the investment of funds into the build but not benefiting from significant cash surpluses over the same period.
- 4.21 The capital budget does not currently include AV, IT, fitness equipment, abnormal ground and service diversions or all the required budget for FF&E.

### **Key Next Steps**

- 4.22 In order to progress with the project, approval is required for submitting the planning application in November 2017 and for the additional capital programme at Council in November 2017.



- 4.23 Further refinement of the business case will take place to finalise the revenue budget projections for each of the operating models.

<b>OTHER OPTIONS CONSIDERED</b>
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- 5.1 As a result of the current position of the project, to do nothing and cease the project is not believed to be an option if the Council is to provide facilities that meet the demands for swimming in the City.

The risks associated with ceasing the project include:

- Reputational damage of not completing a Key Pledge
- Financial losses of capital expenditure on project so far

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b>  <b>Service Director(s)</b> <b>Other(s)</b>	Emily Feenan, Principal Lawyer Amanda Fletcher, Head of Finance Liz Moore, Head of HR John Sadler - Strategic Asset Manager Phil Derbyshire - Head of Property Design & Maintenance Claire Davenport, Director of Leisure, Culture and Tourism Laura Neale, Major Projects Officer Janie Berry, Director of Governance and Monitoring Officer Jill Craig, Interim Director of Information Systems Ann Webster, Equality and Diversity Lead
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<b>For more information contact:</b>  <b>Background papers:</b> <b>List of appendices:</b>	Ben Clawson-Chan 01332 640460 / ben.clawson- chan@derby.gov.uk None Appendix 1 - Implications Appendix 2 – RIBA Stage 3 Designs Appendix 3 – Equalities Impact Assessment Appendix 4 – Public Engagement Analysis
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## IMPLICATIONS

### Financial and Value for Money

- 1.1 The key financial implications are contained within the main body of the report in paragraphs 4.16 - 4.21.
- 1.2 It should be noted that the Trust model would have 20% VAT savings on its income line however it needs to be noted that it would also have some irrecoverable VAT on its expenditure line to offset against it. The LA model doesn't have the 20% VAT savings on its income but it can reclaim the VAT on its expenditure line and that's the difference between the two models at present. This could change in the future should a challenge by Ealing Borough Council be successful.
- 1.3 Ealing Borough Council is currently challenging HMRC over Local Authorities' (LA) treatment of leisure income and Ealing have the support of the European Court of Justice so we could soon see the LA position change such that it too would have 20% VAT savings on its income line and quite possibly will also be able to reclaim the VAT on its expenditure line too, providing it is under its 5% de-minimis.

### Legal

- 2.1 The Council's legal service are represented at Project Board and Project Team level and are providing legal advice to all aspects of the project, including in relation to procurement methodology and contract structure.

### Personnel

- 3.1 None arising as a result of this report.

### IT

- 4.1 The IT section of the authority's requirements document has been populated in conjunction with the IT Department. This encompasses the infrastructure requirements and the associated resources required for implementation and deployment.

### Equalities Impact

- 5.1 To ensure the detailed designs for the proposed new Swimming Pool Complex will comply with the Equality Act 2010 requirements and Building Regulations, we have involved the Derby Diversity Forum and have conducted an equality impact assessment (EIA). This is attached at Appendix 3.

This has been revised as the scheme has developed to address and promote equality initiatives in the design for all communities. A number of equality and diversity meetings have been held to gain a range of feedback to complete the EIA.

Feedback on a number of operational requirements were also received during this

EIA which will be fed in to a subsequent EIA on operational elements of the swimming pool complex.

- 5.2 Mace has appointed Proudlock Associates as Access Consultants to work alongside the design team and architects and the Forum. This process was followed for the Derby Arena and this resulted in Derby having one of the most accessible facilities.

## **Health and Safety**

- 6.1 None arising directly from this report.

## **Environmental Sustainability**

- 7.1 None arising directly from this report.

## **Property and Asset Management**

- 8.1 The Facility Planning Model completed by Sport England in 2015 showed that by 2028, much of the City's current swimming pool stock will have reached the end of its active life without significant investment; this includes Queen's Leisure Centre. Moving forward with the provision of facilities that help meet the demands of swimming will benefit the City and its communities. An Authorities Requirement document is being finalised which will help design a facility that best meets these demands.
- 8.2 In 2016, a decision was made to commence maintenance works which were completed to the Queen's LC Family Pool roof in June 2017. This was in order to prolong the life of the facility by up to five years, until 2021, whilst the design and build of the new Swimming Pool Complex at Moorways was developed. Progress on the new swimming pool project has been excellent and is currently due to open by 2020. This will allow the future of Queens to be reviewed as planned and the current expectation is that it will close when the new facility opens.

## **Risk Management and Safeguarding**

- 9.1 A number of key risks associated with the project have been identified by MACE, these are:
- Financial Strategy - Risk of developing a design which is more than the identified funding available
  - Planning Application - Risk of failing to hit required submission dates
  - Public Relations – Risk of poor public relations and negative press
  - Procurement of Contractor – Risk of cost and programme overrun
- 9.2 The Council's project team have identified a number of key risks associated with the project, these include:
- The City may end up with no major swimming facility provision, following the demolition of Moorways Swimming Pool if further issues occur with Queen's Leisure Centre.
  - Risk of not generating sufficient capital receipts to meet the capital cost of the new complex.

- Only once the full business case information is available and the governance of the facility is decided will we be able to conclude whether the Council has identified sufficient revenue funding for the operational costs in the MTFP.
- Risk of overspend on the project.
- The potential of needing to amend the RIBA stage 3 designs by the value engineering process in order to meet the budget envelope of the project.
- The funding for this stage of the project is at risk of turning out to be abortive costs if the project does not proceed to Part Three of the Contract which involves full build.
- Financial implications of not being able to afford all fixtures, fittings and equipment scoped by the Council.
- Insufficient, appropriately skilled resources to deliver the project within the timeline identified.
- The impacts associated with the expectation of Queens Leisure Centre closing.

9.3 FMG Consulting Ltd have identified a number of risks associated with the project:

- Business case will need further refinement and development as project develops.
- 'Niche Leisure Offer' needs to create a £50,000 operating surplus
- The increase in the 'budget gym' sector could impact the health and fitness performance targets set.
- An increase in further gyms could impact latent demand.
- Ongoing collaboration is required with local businesses and key stakeholders.
- Potential reduction of memberships at Derby Arena resulting in a negative financial impact to the facility.
- Assumes the Council's mandatory relief for NNDR will be 100% for the Local Trust and Outsourced options.

9.4 All risks identified will be closely monitored and discussions will take place to identify mitigations where possible.

### **Corporate objectives and priorities for change**

- 10.1 To proceed with the proposed new Swimming Pool Complex at Moorways will help to meet the Council's 15 year vision to be a safe, strong and ambitious city with an ambition to be one of the most active cities in England and to meet the Council's pledge to open a new swimming pool by 2020.
- 10.2 To proceed with the new Swimming Pool Complex at Moorways will ensure that the Council delivers its Key Pledge to start building a new swimming pool by the end of 2017.