

Princes Parade Leisure Centre

Business Case Overview

13 February 2019



Context

David Shore – Strategic Development Projects Manager, FHDC

Princes Parade Proposed Scheme

- New Leisure Centre – main 25m x 6 lane pool, teaching pool, 100 station gym, studio space and café.
- 11m wide promenade.
- Comprehensive area of open space at the western end of the site linked to a central area of open space by a linear park.
- Up to 150 residential units (30% affordable).
- Potential for commercial activities – boutique hotel, café, restaurant adjacent to central open space.
- Car parking to accommodate residents, visitors and users of the leisure centre.

Progress to Date

- Planning application submitted September 2017 following agreement of scope by Cabinet in February 2017.
- Application considered by Planning and Licencing Committee in August 2018. Authority granted to Development Management Manager subject to Environment Agency (EA) withdrawing their objection in relation to surface water drainage.
- EA objection withdrawn January 2019.
- Confirmation from Secretary of State that the application will not be called in for determination received 12th February 2019.
- Further public and stakeholder consultation proposed in relation to surface water drainage report and an environment statement addendum. LPA to consider representation received prior to the issuing of a decision.
- Timescale dependent on the issuing of planning permission.
- Allocation of £1.98 million from Homes England Accelerated Construction Programme.
- July 2017 Cabinet requested that they consider a full business case and financial appraisal for the project.

Masterplan Appendix 2



Leisure Centre



Consultant team

Simon Molden – The Sports Consultancy

Stephen Jepson – Hadron Consulting

Paul Gannaway – Betteridge and Milsom

David Parry - Savills



Princes Parade Leisure Centre Business Case

Simon Molden – The Sports Consultancy

Introduction

- Project background
- Leisure Centre Business Case (The Sports Consultancy)
- Programme and procurement advice, including soft market testing (Hadron Consulting)
- Next steps.

Project Background

- There are a number of known issues with the condition of the existing Hythe Swimming Pool
 - Condition of the roof
 - Pool lining
 - Chlorine storage system
- Summer 2016: repairs costs estimated to be £184,000
- New facility at Princes Parade considered
- The Sports Consultancy and Hadron Consulting appointed in summer 2017 to develop business case for this project
- Designs separately completed by GT3 Architects.

Leisure Centre Business Case

Background Assumptions:

Hythe Swimming Pool Current Financial Performance

- 2017-18 used for analysis of the revenue performance of the centre
- Net operational position – £323,000 operational deficit

Demographics:

- 6,000 people within a mile
- 76,000 within a 12-minute drive (takes in Hythe, Saltwood, Sandgate, Folkestone, Hawkinge, Etchinghill and Palmarsh)
- Biggest groups of the population are aspiring homemakers (26-35) and senior security both accounting for 13.5%. Senior security average age of 75

Competition:

- Limited competition in Hythe itself, but further competition on the west side of Folkestone

Leisure Centre Business Case

- Latent demand for fitness is 2,334 memberships
- Revenue projections built using TSC's in-hour business planning model and benchmarked against TSC's Operational Database (to test deliverability)
- Model estimates a positive annual management fee income.
- 10 -year average annual throughput estimated to be of 350,000
- Target membership of 2,037
- Significant revenue improvement compared to Hythe Pool (looking at the period from now until the end of the tenth year of operation of the new centre):
- Leisure Centre has potential to be used by visitors/tourists – allowance made for 20% of the total to come from outside the estimated catchment area

Leisure Operator Soft Market Testing

- Management options:
 - In-house
 - outsource to a specialist operator/trust
 - new leisure trust
 - asset transfer.
- Soft market testing:
 - 9 existing leisure operators/trusts with 7 responses
 - 5 said they were interested in the opportunity
 - 2 potentially interested, dependent on timing
- General preference for a 10 to 15 year contract with an extension option.

Programme and Procurement

Stephen Jepson: Hadron Consulting

Council Priorities

High quality

This is a high priority however this must be balanced against obtaining cost certainty and risk transfer where appropriate. It will therefore be important to ensure the design is developed to a reasonably high level of detail to protect the design intent.

Compliance

Compliant with Public Contract Regulations - e.g. OJEU compliant.

Programme

The existing centre is in poor repair so programme is important however this shouldn't be at the expense of quality.

Risk transfer

Risk should be transferred to the contractor where appropriate. This will require risk to be mitigated as much as possible to enable a contractor to take on risk without adding a significant cost premium.

Cost certainty

A fixed price needs to be obtained for the construction contract before works start on site. Cost certainty is also required on the development receipts and operator contract. Ideally the point at which the Council enters into all of these contracts should be aligned to give the Council high levels of cost certainty.

Early contractor involvement

Given the complexity and risks involved, there would be benefit to bringing a contractor on board during the design development stage.

Experience

It is critical that both the consultant team and the contractor have a track record of working on leisure buildings, particularly those with pools, which are particularly complex projects. This is a high priority for this project.



Contractor Procurement

Approach	Reasons
<p>Single contractor is appointed for the Leisure Centre, remedial works and infrastructure.</p>	<ul style="list-style-type: none"> • Single contractor responsible for coordination of all of the works. • The risk associated with delay sits with one contractor. • Simplified tender process and reduced contract administration. • Programme benefits by running the Leisure Centre, infrastructure and remediation works in parallel.
<p>A two stage develop and construct procurement route to be adopted.</p>	<ul style="list-style-type: none"> • Programme. • Early contractor involvement. • More attractive in the current tender market. • Collaboration with contractor to obtain high quality product. • Risk transfer where appropriate.
<p>Design developed to Stage 4a (previously Stage E) in conjunction with the contractor and for the completion of the second stage tender.</p>	<ul style="list-style-type: none"> • Ensure a high quality product is obtained. • To enable a fixed price to be obtained for the works on completion of the second stage tender.
<p>A fixed lump sum price is obtained for the works at the second stage tender.</p>	<ul style="list-style-type: none"> • Obtain cost certainty before starting on site. • Risk transfer where appropriate.
<p>Key designers, e.g. architect, mechanical/electrical engineer and civil/structural engineer are appointed by the Council to complete the design to Stage 4a, and then novated to the contractor to complete the design.</p>	<ul style="list-style-type: none"> • Obtain a high quality product. • Continuity of design. • Programme – to avoid downtime whilst a new team get up to speed. • Transfer design risk to the contractor.
<p>The contractor is procured through the Southern Construction Framework, although this needs to be soft market tested to ensure there is sufficient interest from the contractors on the framework.</p> <p>This will need to be reviewed if the project progresses after the new framework is in place, e.g. after 29 April 2019, but it is likely that the contractors on the new framework will be similar to those currently on the framework and therefore have the right experience for the Princes Parade.</p>	<ul style="list-style-type: none"> • OJEU compliant. • Avoids full OJEU process and associated programme impact. • Mini-competition to select contractor. • National contractor with very relevant experience on the framework. • Bring on board a contractor at an early stage to work with the Council and the Design Team, and advise on, programme, buildability, cost, etc.

- **Contractor Soft Market Testing**



Consultant Appointment

Approach

1. A single source framework is used core team appointment, including:
 - Project manager
 - Cost consultant
 - Architect
 - M&E engineer
 - Civil/structural engineer
 - Landscape architect
 - Principal designer
2. Smaller 'non-core team' appointments are dealt with as a variation to the framework appointment or as a direct appointment by the Council. Competitive quotes can be obtained in either option to demonstrate best value.

Why?

Programme – The costs to repair Princes Parade are increasing by the day and time is of the essence. This would suggest a single source framework over OJEU, as the latter would add 3-4 months to the programme.

Price – Princes Parade is too complicated and risky to have price as the main driver. The selection of the right team has to be the priority. That said, it is possible to benchmark fees against other projects.

Known team – It will take time for a new team to get up to speed, to develop new relationships and to build confidence. A single source framework allows the Council to work with the lead consultant to select a team they have worked with before and have confidence in.

Flexibility – The complexity of Princes Parade requires a specialist team with a track record in similar projects and it is important to select the right team.

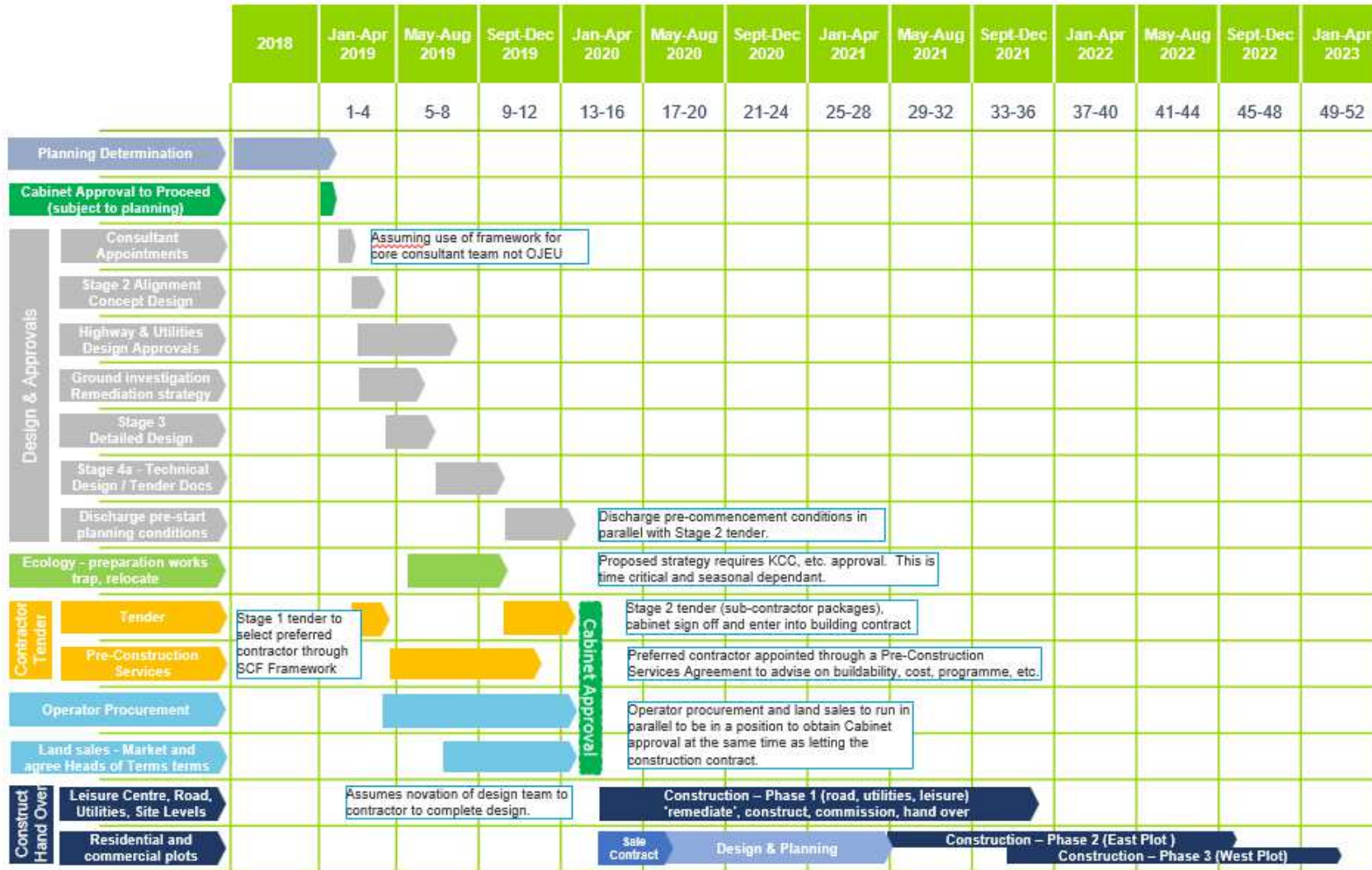
Track record – This is critical for Princes Parade, and the selection of the right team, and particularly the individuals, shouldn't be left to chance.

Previous experience of working together – Some of the most successful projects have a cohesive team that is used to working with each other, and this should be a key criteria. This would suggest a single appointment through a lead consultant.

Terms of appointment – This shouldn't be an issue as most frameworks terms can be varied.

Procurement costs – OJEU is very intensive, whereas frameworks are relatively quick, cutting down procurement costs.

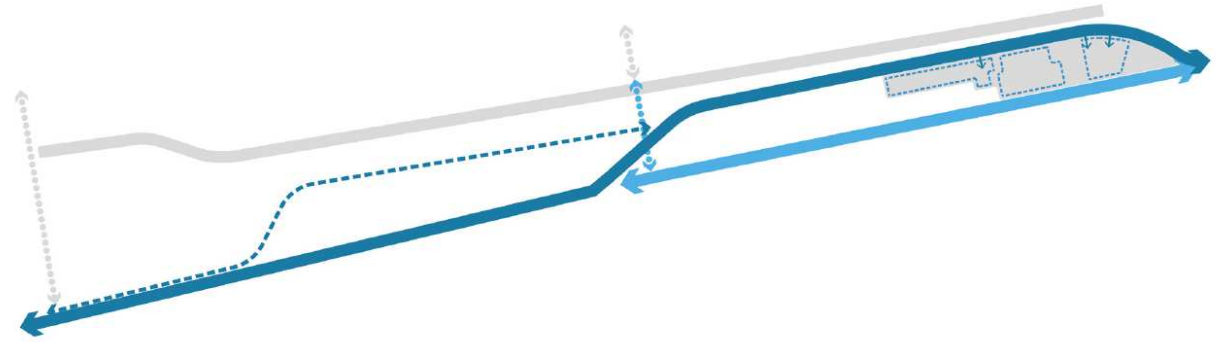
Programme



Phasing

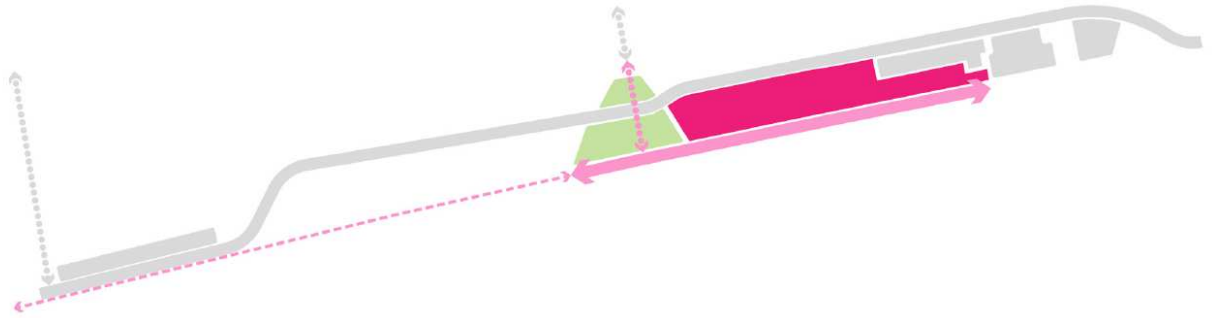
Phase 1: Feb 2020 – December 2021

- Site 'remediation' – e.g. site preparation and levelling works.
- Construction of leisure centre.
- Realignment of Princes Parade and construction of western car park.
- Relocation of existing rising main along realigned Princes Parade.
- Provide new utilities along Princes Parade, with connections to development sites.
- Provision of new promenade.
- Construction of new linear park (including planning along embankment).



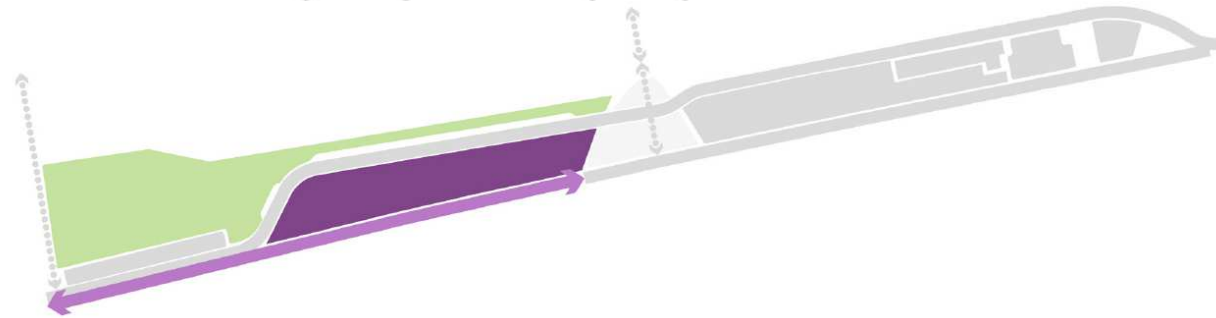
Phase 2: May 2021 – October 2022

- Construction of character area east (residential) and central open space.
- Overlap with Phase 1.



Phase 3: October 2021 – April 2023

- Construction of character area west (residential and commercial) and western open space.
- Overlap with Phase 2.



Top Risks

Risk	Mitigation Strategy
Ecology	<ul style="list-style-type: none"> • Mitigation strategy has been developed. • Programme for translocation incorporated into master programme.
Ground conditions	<ul style="list-style-type: none"> • Initial ground investigations have been carried out. • Remediation strategy to be developed by remediation specialist. • Additional ground investigations to be carried out to reduce and transfer risk.
Utilities and service diversions	<ul style="list-style-type: none"> • Initial enquiries complete. • Early involvement of contractor to assist with negotiations with utility companies. • Drainage strategy to be agreed with Environment Agency.
Cost increases	<ul style="list-style-type: none"> • Contingency allowances included in cost plan. • Experienced consultant and contractor to be appointed. • Brexit implications and change in construction market to be closely monitored. • Client change to be closely managed.
Planning – discharge of conditions	<ul style="list-style-type: none"> • Work done to obtain planning consent has helped de-risk planning and the associated conditions. • Programme and responsibility for condition discharge to be put in place and closely monitored.
Design	<ul style="list-style-type: none"> • Leisure Centre Design has been progressed in detail for planning submission. • Experienced design team to be appointed to progress detail. • Early contractor involvement to assist with buildability.
Land sales less than expected	<ul style="list-style-type: none"> • Initial appraisals have been completed by experienced consultant. • Soft market testing has been carried to establish good level of interest. • Additional ground investigations to be completed to de-risk sites for developers. • Main road and services infrastructure to be installed by Council to further de-risk sites.
Programme delays	<ul style="list-style-type: none"> • Programme is realistic based on similar projects. • Appointment of experienced consultants and contractor. • Closely monitor progress v programme.
Poor quality	<ul style="list-style-type: none"> • Design to be developed to a more detailed stage before entering into the construction contract. • Appointment of experience consultants and contractor. • Closely monitor design and construction phases.
Operator procurement	<ul style="list-style-type: none"> • Experienced consultant appointed to prepare business plan. • Soft market testing has identified market interest. • Robust procurement exercise to be undertaken to obtain best value.