

COUNCIL

16 JULY 2020

SPLASHES SPORTS CENTRE DEVELOPMENT

Portfolio Holder: Councillor Howard Doe, Deputy Leader and Portfolio Holder for Housing and Community Service
Report from: Richard Hicks, Director of Place and Deputy Chief Executive
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Summary

This report seeks approval for the redevelopment programme for Splashes, up to a maximum value of £5m, to be added to the Council's capital programme to enable the project to be undertaken, following consideration by the Cabinet on 7 July 2020.

1. Budget and policy framework
 - 1.1 The provision of leisure services is a matter for Cabinet. Additions to the Capital programme are a decision for full Council. This report is asking the Council to approve an addition of £5 million to the Capital programme to enable development of Splashes sports centre in Rainham.
 - 1.2 Medway has an aspiration to become a Child-Friendly City, putting our young people at the heart of everything we do. Medway's journey will be shaped by our children and young people, from early years through to secondary age, and this investment at Splashes will support that agenda providing outstanding fun, family-friendly leisure facilities for our young people and their families.
 - 1.3 Development of Splashes aligns with the objectives of the Medway Council Plan – supporting Medway people to realise their potential – healthy and active communities
 - 1.4 The proposal also aligns with the Development Plan – health and communities – which states the plan aims to: “improve the quality of life for Medway's residents, meeting their needs for services and providing the opportunities that support people in living healthy and fulfilling lives.”

2. Background

- 2.1 Splashes sports centre is a well-used and much-loved leisure facility, offering Medway's only family fun pool, including a flume and wave machine, as well as more structured activities such as swimming lessons and fitness gym. Footfall surveys show the centre is well used by residents across Medway as well as attracting customers from further afield.
- 2.2 While still remaining popular – the average monthly footfall is circa 23,000 visitors - the centre is now 30 years old. This is putting strain on both the physical structure of the building and in meeting customer expectations of a modern family-friendly centre.
- 2.3 In recent years there have been a number of infrastructure issues with the facility. These have included:
- Corrosion of pillars and steel structure due to air quality and humidity issues.
 - Leaking roof.
 - Ageing pool plant and air handling systems.
 - Ageing water features such as the flume.
 - Changing rooms in need of updating and expansion.
- 2.4 The Council has spent significant sums on repairs to the building, including a six-week closure in December 2018 to undertake the pillar and steel structure works. There is still further structural work required, most notably to the roof which has had ongoing problems with leaks and to the pool plant and air handling system within the centre which needs updating to improve the customer experience and to protect the building's structure.
- 2.5 Alongside the structural and building issues is the need for the centre to meet customer expectations.
- 2.6 Feedback to the Council directly and via social media sites show there is ongoing dissatisfaction with aspects of the centre. In particular the changing area is small with limited changing cubicles, particularly for families, and with poor ventilation. In addition the only showers are within the pool, which attracts considerable criticism. Such limitations both frustrate existing customers and deter others from attending.
- 2.7 Dryside facilities are also limited. For example the gym is small and there is no separate space to hold classes.
- 2.8 The current enforced closure of the centre, and the changes to previous operating procedures which will arise when leisure facilities are able to reopen, has provided the opportunity to assess options for Splashes.
- 2.9 The range of options which have been considered are set out below, and have been based around three key requirements:
- A centre that offers family-friendly fun activities, differentiated from those available at other Medway Council sports centres.

- A structurally-sound sports centre with a lifespan of at least 25 years.
- A capital project that reflects good value for money for Medway's residents and recognises the Council's spending parameters.

2.10 With this in mind the proposed development will provide a fun, family-friendly centre which complements rather than competes with other Council-run sports centres, will address outstanding actions to improve the physical state of the building and will aim to achieve this with the minimum capital requirement.

3. Options

3.1 The range of options considered include:

- Option 1: Replace the existing Splashes with a new multi-use sports centre to include 25-metre swimming pool, separate leisure pool, sauna and steam, 150-station fitness gym, three fitness studios, café and expanded car park
- Option 2: Replace the existing Splashes with a new centre to include a leisure pool, 150-station fitness gym, clip and climb facility and café
- Option 3: Redevelop the existing centre and build an extension to house a new fitness gym, clip and climb facility and class spaces
- Option 4: Refurbish the existing centre on a like-for-like basis
- Option 5: Do nothing
- Option 6: Develop the existing Splashes to create a modern centre aimed primarily at families

3.2 Option 1 would create a sub-regional sports centre in the traditional mould, with an estimated capital build cost of £22 million and a capital repayment over 25 years of circa £1.3m per year. This option was discounted because other Medway Council sports centres already offer this, most notably Medway Park, and the high capital cost and subsequent annual repayments were not felt to be justified.

3.3 Option 2 was aimed more at the family market but with extensive fitness gym facilities, with an estimated capital build cost of £18 million and a capital repayment over 25 years of circa £1.1 million per year. The fitness gym market in Medway is already very competitive offering different experiences and price points. It was felt that adding further into this market would merely stretch an existing pool of customers and the investment would not be reflected in increased income and/or footfall.

3.4 Option 3 was for a £10 million development with annual repayments over 25 years of circa £600,000. This option addressed many of the latent issues but again was felt to put too much emphasis on the fitness gym rather than a fun, family-friendly centre. It was also felt a specialist facility such as a clip and climb area does not need to be provided by the Council but could be considered as part of a later partnership with a private operator specialising in these kind of activities.

3.5 Option 4 was for a £2.7 million like-for-like refurbishment, with annual capital repayments of circa £166,000 per annum over 25 years. While this option

would address the building works to give structural longevity to the centre it would not address customer concerns or modern expectations, particularly relating to the changing and showering area which currently attracts negative publicity.

- 3.6 Option 5 is not considered appropriate for a number of reasons. Advice is that without investment the building will increasingly deteriorate, undermining the extensive repairs undertaken and making the centre increasingly unattractive to customers, many of whom already complain about the quality of facilities. This will have an increasingly negative impact on revenue.
- 3.7 Option 6 was for a £5 million development, with annual capital repayments of circa £276,000 over 25 years. This option concentrates on providing a fun leisure activity centre, differentiated from the other, more traditional, Council-run sports centres, working within the existing framework of the building where possible to minimise costs.

4. Advice and analysis

- 4.1 Having considered the options above as outlined, the preferred option Members are asked to consider is Option 6. This includes:
- Providing modern, enlarged changing facilities suitable for families with appropriate fixtures and equipment such as family change, baby change and showers.
 - Concentrating on providing ancillary dryside spaces to support family-friendly activities, such as party rooms for birthdays/larger gatherings.
 - Rectifying outstanding building and structural works.
 - Future-proofing the centre and minimising lifecycle costs through use of suitable modern technologies such as solar power, heat pumps, rainwater collection. This could be enabled through the Council's ReFit programme which involves investment in energy reduction projects that pay back any borrowing required from reduced energy costs.
 - Updating and renewing family-friendly aquatic facilities such as the flume.
 - Providing a modern dual-purpose café serving both Splashes customers and visitors to Cozenton Park.
 - Limiting extension of the existing building except where essential, to control costs.
- 4.2 Such a project would meet the objectives outlined in section 2.9 of:
- A centre that offers family-friendly fun activities, differentiated from those available at other Medway Council sports centres
 - A structurally-sound sports centre with a lifespan of at least 25 years
- 4.3 There are a number of ways the aims set out in section 4.1 can be achieved through reconfiguration and development of the existing space within the centre and/or through reconfiguring and extending. Each of these options will need to be fully costed and assessed for final consultation with the Deputy Leader and Portfolio Holder for Housing and Community Services.

- 4.4 Indicative figures show the proposals for the preferred option can be achieved within a maximum capital investment of £5 million. The Council's Capital Projects team will manage the project, building on their track record of delivering schemes on time and to budget. They will engage with the Council's Category Management team to ensure that through competitive tendering, prices are appropriately controlled, including value engineering where needed. The project will be overseen by a board chaired by the Deputy Leader and Portfolio Holder for Housing and Community Services. The maximum borrowing costs for this project with a payback over 25 years, would lead to annual repayment of circa £276,000.
- 4.5 It is recognised there is considerable work to be undertaken to provide cost-certainty for the Splashes refurbishment project and the enabling development. Subject to Cabinet and Council approval, an officer working group will be established to bring forward more detailed proposals within the agreed funding envelope. These will be reported to the project board, for approval prior to commencement.
- 4.6 The working group will consider whether a fitness gym needs to remain part of the centre's customer offer. Since its opening in 1990 the centre has always had a small fitness gym and market-testing of private sector suggests it would be appropriate to retain it to provide a mixed offer at Splashes.
- 4.7 The fitness gym accounts for 32% of Splashes annual income (£166,000) at present. Set against that the gym is very limited, an extension would be required if it were to expand, and as previously referenced there is considerable existing competition in this market and geographically. Given the stated desire for a fun, family-friendly centre the space occupied by the fitness gym may be better used in a different way. This would also limit the need for an extension, further assisting capital cost control.
- 4.8 The working group will also consider the suggestion of creating an additional space for a bookable party room at the facility, which could also be utilised for fitness classes.
- 4.9 Working with Medway Norse the working group will also assess whether the café facility could be reinvigorated to include an external element to serve users of Cozenton Park as well as Splashes customers.
- 4.10 It is estimated the development of the centre will require a closure of up to 18 months to facilitate the works. This will impact both revenue and expenditure and more detailed analysis is provided in Section 8.
- 4.11 A Diversity Impact Assessment has been completed and is attached to the report at Appendix 1.

5. Cabinet – 7 July 2020

5.1. The Cabinet considered this report on 7 July 2020 and agreed the following:

5.1.1. The Cabinet approved the redevelopment of Splashes Sports Centre, as set out in Section 4 of the report (decision no. 81/2020 refers).

5.1.2 The Cabinet agreed to recommend Full Council to approve the addition to the Capital programme of £5 million to fund the refurbishment of the Splashes Sports Centre, as outlined in section 4 of the report (decision no. 82/2020 refers).

5.1.3. Subject to Council approval, the Cabinet agreed the establishment of the Splashes Development Project Board and an Officer Working Group, as detailed in Section 4 of the report, and to delegate authority to the Director of Place and Deputy Chief Executive, in consultation with the Board, to deliver the development within the agreed funding envelope (decision no. 83/2020 refers).

6. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Capital funding	There is insufficient capital funding to deliver the project	Establishment of a liaison group chaired by the Deputy Leader to assess and approve proposals within agreed Capital funding	D2
Loss of income	The closure of the centre for a prolonged period will lose income for the Council	Customers will be encouraged to use other Council-run sports centres. The closure will also reduce annual centre expenditure	C2
Covid19	Ongoing social distancing and safety measures have prolonged impact on visitor numbers	By bringing forward the project at this time it is anticipated the work will be undertaken and the centre closed while social distancing measures are in place	D2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Loss of customers	Customers do not return after the closure period thereby reducing income achievable	Surveys demonstrate customers are attracted from across Medway and outside the area, despite the age of the facility. Extensive marketing will be planned for when the centre reopens, focusing on the unique offer at Splashes. Soft market testing has shown that a mixed offer will encourage customers	C2

7. Consultation

- 7.1. Soft market testing was undertaken to assess the viability of the proposals. The majority of companies approached were supportive of the proposal to develop the fun, leisure aspects as part of a range of activities within the centre.

8. Climate Change implications

- 8.1. In line with the Council's climate change aspirations, the Capital Projects team will look at options to minimise the carbon footprint of the development and to explore energy reduction options in the design of the refurbishment. That will also be reflected in the feasibility work for the enabling residential development.

9. Financial implications

- 9.1. This report seeks Council approval for £5 million capital funding. Paid back over 25 years at current interest rates gives an annual repayment of circa £276,000. This is not currently included in the Capital programme.
- 9.2. There will be no income from Splashes for 2020/21 and income levels in the following financial year will also be affected. Budgeted income for the current financial year was £550,000, however the current closure and the severe restrictions likely to remain in place when sports centres can re-open had already drastically reduced what was likely to be achieved. Thus the actual

impact on income through closure for development at this time will be far less. Customers also have the opportunity – once reopened – to use other Council-run sports centres.

- 9.3. The closure will enable savings against the expenditure budget, particularly on utilities and consumables, helping to offset income losses.
- 9.4. Splashes already receives an annual revenue budget subsidy from the Council of circa £147,000 (excluding SLAs). Given the operating cost of centres such as this it is recognised that while every step will be taken to minimise the requirement an annual subsidy will still be required. Incorporating SLAs and capital repayment, and based on visitor numbers at pre-Covid levels, the indicative annual subsidy for the Council is estimated at circa £600,000 per annum. A detailed income and expenditure account will be prepared to reflect the final scheme and to identify what ongoing subsidy will be required. This will need to be incorporated in the next iteration of the Medium Term Financial Strategy and revenue budget.

10. Legal implications

- 10.1. If this project is approved the Capital Projects team will follow the Council's financial procedure rules supported by the Category Management team in the appointment of contractors to complete the various elements of works proposed.

11. Recommendation

- 11.1. The Council is asked to approve the addition to the Capital programme of £5 million to fund the refurbishment of the Splashes Sports Centre, as outlined in section 4 of the report.

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Appendices

Appendix 1 - Diversity Impact Assessment

Background papers

None