

This Report will be made public on 11 July 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/17/25**

To: Cabinet
Date: 19 July 2017
Status: Non Key Decision
Head of service: Andy Jarrett – Head of Strategic Development Projects
Cabinet Member: Councillor David Monk – Leader of the Council

SUBJECT: Princes Parade Project Development Strategy

SUMMARY:

This report provides details of the key elements of the future work programme for the Princes Parade project.

Implementation of the work streams identified in this report will allow a detailed and comprehensive Business Plan to be prepared that will allow Cabinet to take a decision on whether to proceed with the implementation of the project, later in the year, after the planning application has been determined.

REASONS FOR RECOMMENDATION:

To allow the development of the Princes Parade Project to proceed in accordance with the resolution of Cabinet on 7th February 2017.

RECOMMENDATIONS:

1. To receive and note report C/17/25.
2. That Cabinet endorse the work programme identified in the report in order that a full business case and financial appraisal may be prepared for their consideration, prior to the commencement of construction, should planning permission be granted.

1. Background

- 1.1 Development of the current project has been underway since 2012, as set out in the timeline recently published on the Council's website. It is anticipated that the planning application for the scheme will be considered by the Planning and Licencing Committee in the autumn of 2017.
- 1.2 At its meeting on 7th February 2017 (report C16/102) Cabinet resolved that should planning permission be granted, then the full business case and financial appraisal should be considered by Cabinet prior to any building work proceeding.
- 1.2 The period during which the planning application is being considered by the local planning authority provides an opportunity to further develop the associated delivery detail, including the business case and financial appraisal, in order that the project may proceed in a timely manner should planning permission be granted

2. Proposed Further Work to Prepare the Business Plan and Financial Appraisal

- 2.1 A recommended schedule of further work is set out below that will allow the requested business case and financial appraisal to be prepared.

A - Preparation of the Business Case for the Affordable Recreation Centre

- 2.2 The decision to proceed with the development of the Affordable Recreation Centre, on the Princes Parade site, was informed by advice from Strategic Leisure that was reported to Cabinet in 2012 and 2014 (C/12/51 and C/14/01) and further updated in 2016. This advice, based on the recognised assessment criteria from Sport England, sought to establish the demand for such a facility taking into account local provision and the local demographic profile.
- 2.3 Given that a design and specification for the ARC has now been agreed by Cabinet it is recommended that now is an appropriate time to prepare a full and detailed business case. The objective would be to provide a comprehensive document that provides the Council with an updated assessment of the affordability and deliverability of the new facility and thus the information required to make a firm decision to proceed. The business case would also provide an indication of the expected level of revenue turn-around that should be incorporated into the Council's Medium Term Financial Strategy bearing in mind the current and projected revenue demands of the existing Hythe pool and facilities. The key elements of the business case are listed below :-
 - An updated health and fitness market assessment
 - A review of the financial performance of the existing pool and facilities at South Road, Hythe.

- Income, expenditure and throughput projections for new leisure centre of the specification agreed.
 - Considerations of the financial implications of alternative management models for the new centre (e.g. outsourcing to a leisure trust, etc)
 - Affordability analysis including a projected cashflow assessment.
 - Soft market testing with potential leisure operators
 - Advice on the ongoing project management requirements required to deliver the project and the associated costs.
- 2.4 It is estimated that this work will take approximately 12 weeks to complete.

B - Phasing and Residential/Commercial Land Disposal Advice

- 2.5 The construction of the Affordable Recreation Centre will, in part, be funded by the disposal of the land identified within the masterplan for residential and commercial use. The value and timing of that funding will be dependent upon the implementation and disposal strategy. The advice of a commercial property advisor will therefore need to be sought. The advice will be a key input into the capital funding strategy described below.
- 2.6 At an appropriate point in the development of the project it will also be necessary to commission work related to the marketing and disposal of the residential and commercial land. This is normally based on a percentage of the sales value secured.

C - Capital Funding Strategy for the Project

- 2.7 In addition to the business case it is recommended that a capital funding strategy be prepared that considers how the capital costs of delivering the totality of the scheme will be assembled. The strategy will be informed by a full scheme cost plan and the residential and commercial disposal advice referred to in this report.
- 2.8 The key output of the capital funding strategy will be a financial route map, to include the decommissioning of Hythe Swimming Pool that will set out a cash flow projection for the whole scheme and identify the internal and external borrowing requirements. It is proposed that the capital funding strategy be prepared in-house by members of the Finance team, supported by the Strategic Development Projects Team, but be subject to an independent external review.

D - Procurement of and Contracting with an Operator for the ARC

- 2.9 The current Hythe Swimming Pool facility is run by Shepway District Council with management support provided by Medway Leisure. Options for the operation of the new facility include the current arrangement, use of either an existing or newly formed leisure trust, or a private operator.
- 2.10 Consideration of these options and the development of the appropriate documentation to secure an ARC operator and implement the procurement process will require specialist advice from an experienced leisure consultancy. It is recommended that the procurement options available to

the Council be set out in the Business Plan, although the process to secure an operator will clearly not commence until Cabinet have considered the business case and financial appraisal and taken a decision to proceed with the implementation of the scheme.

- 2.11 Once an operator for the ARC has been selected it will be necessary to draw up a detailed contract between them and the District Council that covers a range of issues including the service specification, maintenance requirements and the detail of the financial arrangements. In addition to advice related to the nature of the operator and the procurement process specialist legal support for the operator procurement will also be required.

E - Princes Parade Business Plan

- 2.12 In order for Cabinet to be able to take a final decision as to whether to proceed with the implementation of the Princes Parade project, and release the resources required, it will be necessary for it to consider an overall business plan that ties together all the key elements of the project and incorporates the requested business case and financial appraisal. Completion of the work streams identified in section 2 of this report, along with existing information such as the RIBA Stage 3 design and detailed site information, will allow such a document to be prepared. It recommended that the report consists of the following :-

- Chapter 1 – ARC Business case
- Chapter 2 – Design Proposals
- Chapter 3 – Capital Cost Plan
- Chapter 4 – Capital Funding Strategy
- Chapter 5 – Project Execution Plan
- Chapter 6 – Project Delivery Team
- Appendix 1 - Updated Risk Register

- 2.13 It is proposed that responsibility for the production of this documents is undertaken in-house by SDC officers with progress reported on a regular basis to the Princes Working Group and Princes Parade Advisory Panel.

3. Long Term Development of Public Open Space at Princes Parade

- 3.1 The proposed scheme includes a substantial area of public open space. It is likely that any planning approval for the Princes Parade scheme will require this to be delivered to a certain standard and at a certain point within the development of the scheme. An allocation of capital funding will need to be included within the overall cost plan for the scheme and the capital funding strategy, and this cost included in any viability calculations.
- 3.2 However, beyond any requirements linked to a future planning approval, this open space has the potential to be developed as a high quality destination play area, in accordance with the emerging Shepway Play Area Review. This provides an opportunity to develop, through engagement with the local community, a very high quality public park (of a standard similar to, but distinct from, the Folkestone Coastal Park) capable of meeting a

range of local need. In order to not compromise the delivery of the ARC it will be necessary to secure additional external funding through, for example, S106 contributions secured from other local schemes or through bids for external funding.

3.3 In order to advise Cabinet on the best delivery and long term management option to pursue it is recommended that a report covering the subject areas listed below is commissioned.

A. Specification of open space and design including :-

- Concessions
- Toilets
- Destination play space
- Facilities etc.

B. Involvement of community in the design at an early stage

C. Delivery options and phasing

D. Long term management options

E. Implications for capital funding strategy

4. Proposed Timescales and Milestones

4.1. The timescale for each of the work stream outlined in this report are shown below :-

- Report to Cabinet to consider Business Plan (post planning decision) – Autumn / Winter 2017
- Procurement of an ARC operator – Spring 2018
- Contracting with the ARC operator – Summer 2018
- Construction commences – Autumn 2018
- ARC opens - 2020

5. Conclusion

5.1 The development of the Princes Parade Project, beyond the submission of the planning application, will require further advice to be sought in order that the requested business case and financial appraisal can be prepared. It is recommended that Cabinet support the approach outlined above with a view to that document being presented to them for consideration later in the year following the determination of the planning application.

6. RISK MANAGEMENT ISSUES

6.1 A summary of the perceived risks is as follows :-

Perceived risk	Seriousness	Likelihood	Preventative action
Business case for Affordable Recreation Centre shows a low level of revenue turn-around	High	Low	Review pricing and potential income sources as part of the development of the business case, informed by soft market testing.
Delays to the process of determining the application for planning permission, resulting in delays to the consideration of the business plan.	High	Medium	Local planning authority to appoint a dedicated case officer. Application to be progressed in accordance with an agreed Planning Performance Agreement that commits both the LPA and the applicant to meeting agreed performance standards.

Legal Officer's Comments (NE)

There are no legal implications arising directly from this report however legal will continue to be involved in the project as and when required.

Finance Officer's Comments (LH)

There are no financial implications arising directly from this report however, budget approval will be sought at the appropriate time through the Budget setting process.

Diversities and Equalities Implications (DS)

There are no diversities and equalities implications directly arising from this report.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officers prior to the meeting

Andy Jarrett – Head of Strategic Development Projects
 Telephone: 07713081278
 Email: andy.jarrett@shepway.gov.uk

Dave Shore – Strategic Development Projects Manager
 Telephone: 01303 853459
 Email: dave.shore@shepway.gov.uk