

Report To: Cabinet

Date of Meeting: 18th February 2014

Lead Member / Officer: Cllr Hugh Evans / Cllr Huw Jones

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Title: Renewal of Coastal Facilities in Rhyl & Prestatyn

1. What is the report about?

In January 2013, Cabinet agreed to explore options for the future of the coastal leisure and tourism facilities in Rhyl & Prestatyn. Over the last 12 months, officers have worked with the Council's Leisure Framework provider to understand the current and potential future offer for the facilities and have undertaken a soft market testing exercise. This report sets out the recommended approach to secure the development of a new Aquatic Centre in Rhyl and redevelopment of the Nova in Prestatyn.

2. What is the reason for making this report?

The report is necessary to enable Cabinet to make decisions to progress the Coastal Facilities projects to the next stage.

3. What are the Recommendations?

1. Aquatic Centre, Rhyl: To adopt a 'preferred developer' approach to the delivery of improved tourism and leisure facilities in Rhyl, including a new Aquatic Centre and to invite expressions of interest from developers for consideration by the Council
2. To include development opportunities in all Council facilities/land/assets along Rhyl Promenade (Marine Lake to Splash Point) within the invitation for expressions of interest
3. Re-development of the Nova: In parallel, to use the Council's existing framework agreement with Alliance Leisure to produce a detailed business feasibility study and an appraisal of design and build options for the Nova.
4. Approaches to Funding: To make a commitment in principle to ring-fence operational savings generated as a result of the re-development proposals to support potential capital contributions from the Council towards delivery of the 'whole project' .
5. Funding Approach to Welsh Government: To meet with Welsh Government to explore support for a 'special' partnership approach to the coastal regeneration

These recommendations to Cabinet were considered and supported by the Coastal Facilities Project Board at its meeting on 7th January.

4. Report details

A Project Board has been established to govern the overall project to renew the leisure and tourism facilities in Rhyl & Prestatyn. Its membership includes representatives from Rhyl & Prestatyn Member Area Groups together with relevant Lead Members and officers.

The Coastal Facilities Project Board met in January and reviewed the work undertaken to date by officers following the Cabinet decision in January 2013. Having considered the advice provided, the Board supported the recommendation that two separate procurement approaches be adopted for developing the Coastal Facilities. These are as follows:

1. The recommendation to follow the route of inviting Expressions of Interest to secure a preferred developer for the new Aquatic Centre and associated developments in Rhyl was agreed for the following reasons:
 - The overall Coastal Facilities project (excluding the Nova development) is beyond the financial capacity of the Council at this time and external grant and private sector funding is required.
 - However the private sector on its own is unlikely to see this as a sufficiently attractive investment opportunity, with returns on investment constrained.
 - Therefore a shared private and public partnership approach is more likely to be achievable.
 - But formal procurement is not achievable within the timescales the Council is considering and is also unlikely to achieve a cost effective solution – the ‘preferred developer’ route provides more opportunity for creativity and innovation from the private sector.

A two stage process is recommended with an overall timescale of around 2 years:

- Stage 1 will encompass an open market testing exercise with developers invited to submit proposals and those proposals then evaluated by the Council (April – September 2014)
 - Stage 2 will be a period of exclusive negotiations with the developer identified as preferred at the end of Stage 1 (from October 2014)
2. A different procurement route is recommended for the redevelopment of the Nova for the following reasons:
 - The scale of works is smaller and less complex and therefore possible for the Council to progress on its own.
 - Including the Nova within the wider market testing exercise would add unnecessary complications (both for Rhyl & Prestatyn offers) and has the potential to slow down redevelopment works.
 - Redevelopment of the Nova has the potential to secure a wholly self- financing model freeing up revenue savings for investment in the Rhyl Coastal Facilities offer. The critical affordability test will be that the operation of a ‘new Nova’ in Prestatyn can deliver a net surplus sufficient to pay for the building as well as future running costs. A feasibility study to include a latent demand analysis will inform an appraisal of design and build options for Prestatyn. This will be presented to the Strategic

Investment Group before being considered by Cabinet. It is currently estimated that the feasibility study will be completed by the beginning of April 2014 with consideration by SIG and Cabinet later that month.

The Project Board noted that Nova could be an attractive addition to the overall market testing approach but agreed that on balance the benefits of including are likely to be outweighed by the disadvantages in terms of time and complexity.

The Project Board also noted the risks involved in the preferred developer procurement approach – less/no control over specification, potentially time consuming, no guarantee of market interest – but on balance agreed that it was the appropriate approach for this project based on current circumstances.

5. How does the decision contribute to the Corporate Priorities?

The Coastal Facilities project is an essential component of both the Economic Ambition and Rhyl Going Forward Strategies.

6. What will it cost and how will it affect other services?

In principle support has been given by the Economic & Community Ambition Programme Board to support the project management costs for the Coastal Facilities Project over the next 6 months (i.e. Project management from DCC Business Planning and Performance; external expert advice; support for internal, charging services). An initial estimate of £45K has been suggested but is subject to more analysis by the Project Manager.

There is no cost to the Council at this stage for the detailed feasibility work for the Nova which is a service provided under the Framework Agreement with Alliance Leisure.

Until the feasibility study and options appraisal for Nova has been completed and the expressions of interest received from potential development partners, it is not possible to quantify full potential costs to the Council. Affordability of proposals will be a key consideration in recommending whether or not to proceed once proposals have been evaluated.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

Equality Impact Assessment attached Appendix 1

8. What consultations have been carried out with Scrutiny and others?

Extensive consultations have been carried out throughout 2013 including regular meetings with Member Groups, Cabinet and Council briefings and consultations with the Private Sector and Swimming fraternity. The views emerging from all those consultations have helped inform the recommendations.

9. Chief Finance Officer Statement

The redevelopment of the coastal facilities is a major part of the Council's development strategy. The report does not ask for any significant funding. The cost of developing the project will be contained within existing budgets. Once the market testing and design works have been carried out, we will be in a better position to evaluate the costs and risks of the proposals. Any proposals will be subject to the Council's normal approval processes.

10. What risks are there and is there anything we can do to reduce them?

This is a major, complex project needing to proceed in the most difficult financial times and there will be many risks that could impact on the progress and key stage decisions e.g.:

- Securing funding is not simple – it demands sequencing to use revenue and minimise disruption.
- The Nova development proposals may not deliver sufficient operating profit to secure the necessary revenue savings and pay for the capital costs.
- The Invitation for Expressions of Interest may not secure an appropriate development partner and there are further risks associated with a preferred developer procurement approach could include there being less or no control over the specification; as well as there being a protracted and time consuming period for concept development .
- Maintaining service continuity will be difficult to achieve e.g.:
 - The ultimate demolition of the Sun may close the Pavilion for a significant period.
 - The refurbishment of the Nova will demand a period of closure.

The Coastal Facilities Project Board is reviewing the risk register and project management plan on an ongoing basis and will be responsible for ensuring all proper mitigation measures are put in place. The fall-back position in the worst case scenario will be to retain the Leisure Centre aquatic offer and deliver for the time being what is affordable within the Council's own resources

11. Power to make the Decision

12. Section 2 Local Government Act 2000

13. Section 111 Local Government Act 1972