
DOLPHIN CENTRE REFURBISHMENT PROPOSAL

Introduction

1. The Dolphin Centre is now 25 years old and significant elements of the essential infrastructure and plant installations are either nearing the end of their operational life or are out of date in terms of a modern leisure complex. This is reflected in customer feedback, whether as complaints, comments or suggestions, which regularly indicate dissatisfaction with facilities, comfort levels and temperature in the building.
2. The Dolphin Centre's current configuration and logistics also constrain the management of core leisure activities to meet customer expectations. Consequently usage is declining and if income streams are to be improved, statutory requirements met and services provided which reflect what users want, significant investment is required. This in many respects mirrors a situation at Stressholme Golf Centre where on two occasions invest to save examples have been adopted to improve services and income through the provision of a Driving Range and conversion of the bar into a modern bar and restaurant. A review has therefore been undertaken to identify how these issues might be addressed.
3. This report therefore examines the potential and scope of the works necessary to upgrade plant and mechanical installations and to provide a facility fit for purpose for the next twenty years and how this might be financed.
4. The review also considered the potential to resolve other corporate accommodation issues by incorporating other Council services that could be delivered effectively from the building. While a range of options were considered, including locating the Contact/Call Centre in the Dolphin Centre/Bennett House, the outcome has been the inclusion of the Register Office and Marriage Hall in the Dolphin Centre proposal.

Proposals

5. The outcome of the review established that the priorities for refurbishment of the Dolphin Centre are to:-
 - (a) Enhance Sport Facilities
 - (b) Improve Childcare Facilities
 - (c) Provide a modern Register Office and Marriage Hall
 - (d) Protect and improve income streams
 - (e) Reduce the Council's subsidy
 - (f) Improve Catering and Bar income to support sport and leisure provision
- (g) Having regard to these priorities, Ferguson McIlveen Architects, were commissioned to produce design proposals based on a project covering; circulation areas and access, new and improved facilities, potential to consolidate services, such as Tourism and Civic Theatre Box Office, general improvements to customer experience and the replacement and refurbishment plant, mechanical and electrical installations.
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7. The work has now been completed to feasibility stage with illustrative drawings, a budget cost plan and draft works programme. Details of the proposed works are as follows:-
8. **Mechanical and Electrical Installation:-** A full condition survey of the Dolphin Centre's mechanical and electrical building services was completed in March 2003. The survey, included a thermal imagery and vibration analysis and made recommendations covering the following areas of the building:-
 - (a) Distribution boards
 - (b) Mechanical control panel switch gear and controls
 - (c) General lighting
 - (d) Emergency lighting
 - (e) Fire alarm system
 - (f) Mechanical plant, to include motors, sensors and switches
9. The report sets out the recommendations in priority order as shown in Table 1:-

Table 1 – Schedule of Priority Electrical and Mechanical Installation Works

Description	Action	Priority
Electrical Testing	Planned inspection and testing as part of the Electricity at Work Regulation 1989	Essential
Fire Alarm System	New fire alarm system to comply with current legislation	Essential
Electrical Distribution	Replace distribution boards and rationalise sub circuits	Necessary
HVAC control	Replace internal control relay and switch gear	Necessary
Mechanical Distribution	Phased replacement programme and continued maintenance	Necessary
Heat Generation	Phased replacement programme and continued maintenance	Necessary
Circulation pumps	Phased replacement programme and continued maintenance	Necessary
Air handling units	Phased replacement programme and continued maintenance	Necessary
Chillers	Phased replacement programme and continued maintenance	Essential
HWS Generator	Continued maintenance	Desirable
Lighting contactors	Replace internal control relay and switch gear	Necessary
Emergency lighting	Upgrade and replace light fittings	Necessary
General lighting	Upgrade lighting, replace lighting point for point	Desirable

Note: See Appendix 1 for further details of the background to the priorities.

10. **Circulation Areas and Main Visitor Access:-** The main entrance is improved, a new entrance formed at the rear of the building to service the Register Office and Marriage Hall.
11. The Bull Wynd entrance is enhanced to facilitate improved access and DDA compliance to both Bennett House and Central Hall through a new lift installation. This also provides a secondary access to the Dolphin Centre for customers not participating in sport or leisure

pursuits.

12. The overall access arrangements are enhanced by the removal and repositioning of the main staircase behind a glass surround in what is currently the pool hall area. This enables all the main circulation areas to be directly accessible from newly created lobbies on ground, first and second floors. A new secondary market square entrance will be created and along with the improved Bull Wynd and rear entrance will improve flexibility and facilitate more effective management and security arrangements enabling specific parts of the building to be open for functions and services, rather than the whole building.
13. Additionally, important views are opened up within the Centre to promote and invite participation and improve orientation on circulation. This will provide an inviting modern and airy atmosphere conducive to commercial appeal.
14. A spacious reception allows easier access to all Dolphin Centre services by combining a reception ticket facility with customer services (currently first floor). This has the potential to include the booking office for the Arts and Civic Theatre (currently situated in Parkgate), Tourist Information, Shop Mobility and Council payments as a frontline services delivery point.
15. The street café and bar will operate as part of the main Dolphin Centre restaurant and bars facility and will provide additional commercial exposure at street level, facilitating additional income generation.
16. A double height entrance foyer has been developed to increase awareness from street level and improve internal ambience. A viewing gallery on first floor, to the floor below further opens up this main circulation area.
17. **Register Office and Marriage Hall:-** A bespoke Register Office and reception/administration area has been included overlooking Houndgate. On the upper floors, the refurbishment of existing Dolphin Centre office accommodation has provided a new marriage hall, waiting and reception area and adjacent breakout rooms. This will enable the combined wedding package services, together with opportunities to increase conference and seminar markets.
18. **Café, Bistro and Bar:-** At first floor level, a new continental café, bistro and bar provides a central hub to the building, linking the new circulation areas overlooking the soft play facilities and linking access to the conference seminar and wedding areas. The new design effectively combines, what are currently two separate food and drink areas within the present building thereby improving cost effective use of resources. The area is fundamental to achieving the centres commercial objectives and it is proposed to operate all day services from these areas.
19. **Soft Play/Sensory Room:-** The new soft play and sensory facility incorporates a separate entrance from the circulation areas with an independent reception for tagging, security and buggy parking. The adjoining sensory room for inclusive play by specialist groups, has been supported by the Darlington Learning Disability Service. Overlooked by the café, bistro and bar, this area promotes casual play for children on a pay as you play basis, whilst encouraging parents to stay and watch. This area will absorb existing programme sessions such as Topsy Turvey and the Dolphin Centre crèche. By the installation of a mezzanine floor, the upper soft play area will cater for children's parties and specialised children's

programming.

20. **Central Hall Bar:-** Central Hall bar has been extended, building on current capability of the venue to attract large-scale events, due to the large capacity of the facility. An entrance from Central Hall direct to the Sports Hall has been established for this purpose. Incorporating the new Bull Wynd entrance and lift accessibility, conferences, seminars and large-scale function capacity would build on a unique selling point for the Dolphin Centre.
21. **Reception/Customer Services:-** The re-modelled reception provides an opportunity to provide a one-stop shop and booking facility for all cultural services, incorporating the Arts Centre and Civic Theatre booking office. Additionally, it would provide options for future Tourist Information provision, shop mobility and council payments.
22. **Wet Change:-** The wet change facility has been refurbished into a changing village, essential to meet the family market. This approach will significantly raise the quality of experience by enabling families to attend without encountering complicated changing arrangements. It is intended that this will be a fully staffed environment, therefore reducing cleaning and vandalism costs, whilst incorporating a greater level of customer service and security.
23. **Pulse Suites:-** The new pulse suite incorporates the existing Pulse I and Pulse II operations. The new facility now provides discreet areas to maintain the GP referral market and a further studio for bespoke fitness programming. The combination of the areas enables consolidated current running costs and resources whilst enabling a better level of service during peak periods.
24. **Pepperpot Studios:-** The combination of the café and bar facility releases the existing café space for the creation of three fitness studios. Exercise classes, spinning, etc are a core leisure product that is currently delivered from various areas providing an inconsistent experience for customers. The new facility accommodates the existing programme as well as extended or new programmes which can run without the interruptions experienced in the existing rooms, where conflicting events often result in cancellations due to incompatibility. This, therefore, helps minimise current income loss.
25. **Kitchen Facilities:-** The existing kitchen area has been used to facilitate the improved customer circulation area on the first floor. The new kitchen, now on two levels, will service the café, bistro bars and large-scale functions without interruption of public spaces.

Programme of Works

26. It is estimated that the planned scope of the works described in this report will take some 62 weeks to complete. Bearing in mind the nature of the building it is recommended that a phased approach to the development is taken to that closures and potential income loss can be minimised. This will also ensure that the building remains open as long as possible and disruption of services to the public are kept to the minimum possible. In terms of the actual phasing, the proposal is as follows:-
 - (a) Phase 1 – Enabling the works to facilitate the decanting of the existing office areas.
 - (b) Phase 2 – Refurbishment of Central Hall, Projectile Hall, squash courts and bar area. During this phase, investigative work and pre-ordering for Phase 3 works can take place.

- (c) Phase 3 – At this point, closure of the main entrance and reception will be required. At present this also includes the closure of the Pool Hall for approximately 23 weeks, although options to try and keep the pools open will continue to be explored. Following the completion of Phase 2, temporary arrangements can be made to facilitate access to the remainder of the building from Bull Wynd

Financial Considerations

27. In terms of the capital cost of the project, the overall scheme, excluding provision of the Register Office and Wedding Hall is £3.3m. The estimated costs include a 5% contingency and design risk.
28. Current funding in place comprises:-

	£000's
Capital Programme Allocation – Dolphin Centre (Balance Remaining) ⁽¹⁾	510
Capital Programme Allocation – Register Office Relocation	36
	50
Social Services – Sensory Room	<hr/>
	596
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⁽¹⁾ Net of spending to date on fees

10. This leaves a balance of £2.7m to fund. While there are bids currently in place to the capital programme, realistically with the budget position, (both capital and revenue) facing the Council, this project is at face value unaffordable, yet without investment, income will fall and the current subsidy will therefore need increasing over time.
11. The remainder of this section therefore examines the feasibility for funding the balance of £2.7m from Prudential Borrowing, using the new powers available to Councils from April 2004.
12. Firstly an assessment of the projected revenue implications of the proposal, with brief details of the associated business case, is included in Table 2, overleaf, to establish the capacity to finance prudential borrowing and the extent of any first year subsidy that may be required.

Table 2: Revenue Implications –Year 1 Incorporating One Off Costs and Year 2 Onwards

Description	Financial Projections				Comments
	Year 1 (Best) £	Year 1 (Worst) £	Year 2 (Best) £	Year 2 (Worst) £	
Registrars Office/ Marriage Hall	10,000	10,000	10,000	10,000	Additional income, based on provisional estimates of service recharges.
Soft Play/Sensory Room	213,500	160,000	213,500	160,000	New 7 day provision with casual access. Best incomes are based on a 20% occupancy rate. Worst incomes are reduced to a half year level with a 10% occupancy rate.
Pulse Suite	25,200	25,200	25,200	25,200	Representative savings on consolidated staffing and equipment leasing costs.
Studios 1, 2 & 3	19,500	19,500	19,500	19,500	Increased fitness programming and eliminating of current cancellation costs (currently approx £9.5k per annum).
Wet Change	(116,632)	(116,632)	(52,000)	(52,000)	Net expenditure for staffing new facility and loss of locker income. Also buyout of current lease on lockers (one off charge). Reductions in vandalism and maintenance.
Conferences/ Seminars/ Weddings	110,500	110,500	110,500	110,500	Net profits based on analysis of current meeting take-up/commercial pricing and additional income from weddings/registrars joint services reflects a 30% take up on current number of ceremonies.
Catering Facilities including parties/soft play/bars	160,000	60,000	160,000	60,000	Net profit for increased turnover from a 7 day food operation incorporating town centre bar/bistro and pavement café and increased footfall from children's activities.
Reception/ Customer Services/Box Office	0	0	0	0	Restructure to be done from existing budget resources. Future gains may be achieved as a multi-skilled approach to service delivery develops. It is envisaged that a higher profile town centre location for theatre box office can improve sales for the Civic Theatre and Arts Centre.

Description	Financial Projections				Comments
	Year 1 (Best) £	Year 1 (Worst) £	Year 2 (Best) £	Year 2 (Worst) £	
Marketing budget	(30,000)	(30,000)	(20,000)	(20,000)	Initial marketing campaign and an increase in marketing activity for new services.
Staffing saving on casual hours/overtime during closure	174,000	87,000	0	0	Saving on 26 week wages payments on closure for casual and overtime payments.
Cost of closure – loss of income-one-off costs	(636,660)	(636,660)	0	0	Taken from existing budgeted income and assumes six months closure.
Cost of closure- loss of income – on going			(48,750)	(48,750)	
Uniforms/branding	(2,000)	(2,000)	8,000	8,000	
Repairs and maintenance	100,000	100,000	40,000	40,000	Year 1 saving based on the renewal of plant/M&E, reducing in subsequent years.
Pricing policy	141,000	58,750	141,000	58,750	Increase in admission prices to cover family change/new pricing policy/review of concessions and recovery of locker income. The best reflects a 12% increase on current trades/transactions.
Business rate rebate	43,187	43,187	0	0	Based on 26 week closure (3 months 100%, 3-6 months 50%).
Net profit/(loss) before borrowing costs	211,655	(111,095)	606,950	371,200	No financing charges for prudential borrowing included at this stage.

- Notes:
- (1) No account is taken of the potential changes to parking on the Town Hall site – currently daytime users pay a minimum of £0.80p if using the car park when visiting the Dolphin Centre.
 - (2) No account is taken of any potential impact of reduced parking availability on the Town Hall site during construction.
 - (3) Additional business rate rebate is available for periods of partial closure but has not been included.

10. From Table 2, it can be seen that the financial projections indicate the first full year position ranges from a potential subsidy of £111,000 to £212,000. For second and successive years of operation, allowing for the improved income earning potential of the building being fully implemented, a surplus of between £371,200 and £606,950 is predicted.

Prudential Borrowing Cost

11. Table 3 below provides details of the prudential borrowing costs for the Community Services elements of the scheme only and assumes that the costs for the Register Office and part of the Marriage Hall conversion at £250,000 will be funded either from capital receipts or the Council's revenue budget (financing charges).

Table 3: Annual Cost of Prudential Borrowing for £2.7m

Prudential borrowing costs over 20 years	£205,000
Prudential borrowing costs over 25 years	£180,000

10. Clearly, at the borrowing costs shown, the project looks viable in funding terms having regard to the net/profit loss projections in Table 2, subject to the initial losses in the first year being funded. Further, at the projections shown, there is considerable capacity to cover any significant increase in the budgeted costs.

Risk Assessment

11. This is clearly a major project. As such there are risks associated with it, as indeed there are if the investment does not take place. The project itself carries a maximum annual financial risk of up to £205,000, equivalent to the borrowing costs, should the increased income projections and anticipated savings not arise.
12. We already have a situation where the building is vulnerable to services being disrupted if there is a major failure of the mechanical, electrical services or major items of plant. Should a major breakdown occur, loss of income could, therefore, be significant while urgent capital works are undertaken. It is difficult to predict what the consequences might be, but as an example, the average weekly income from the pool facilities is nearly £5000.
13. In terms of the need for investment, current user data is provided in table 4 below to illustrate that user numbers are decreasing:-

Table 4: Dolphin Centre User Analysis April 1999 to March 2004

Facility	1999/00 User Nos	2000/01 User Nos	2001/02 User Nos	2002/03 Users Nos	2003/04 Users Nos	% Fall in Visitor Numbers Over 5 Years
Public Swims	249,357	239,677	225,207	193,735	192,205	23%
Pulse 1	40,119	37,238	32,987	28,885	27,113	32%
Pulse 2	86,691	92,497	86,412	88,232	82,896	4%
Total	376,167	369,412	344,606	310,852	302,214	20%

10. The importance of investment can perhaps be demonstrated by the stabilisation in reducing visitor numbers for the pool complex following the investment in new slides in 2003. This is despite a national decrease in swimming and initial competition from a new pool facility at Stockton (Splash). The trend for the current financial year shows that attendances are holding at the same level.
39. To some degree, a reduction in demand can be compensated for by increasing prices but this is only possible in the short term. Once customer resistance becomes consolidated, income can fall off very quickly, particularly when prices are out of context with the quality of experience.
40. The income projections and potential savings used in table 2 have been provided by managers who have experience of this type of project. While income has been projected at a modest level in relation to the various areas of refurbishment, they are subjective. However, the two successful previous invest to save projects undertaken at Stressholme Golf Centre, to provide a Golf Driving Range and convert the Clubhouse into a modern bar and restaurant provide successful examples of similar works. For instance, details of these two projects are provided below:-

Stressholme Clubhouse – turnover prior to refurbishment £82,000 in 2000/01 increased to £456,000 for 2003/04.

Stressholme Golf Driving Range – generated new income, currently £72,000 pa.

41. It is difficult to provide any security around these projections, other than to undertake a full tendering exercise inviting proposals which would be a lengthy exercise, involving tenderers submitting their own refurbishment proposals and income projections, savings, etc. The Council's auditors PWC, have therefore been approached with broad details of the project to see if they can help confirm that the proposal meets Value for Money criteria both in respect of prudential borrowing and external inspection.

Conclusion

42. This report identifies the current infrastructure issues within the Dolphin Centre and its associated plant and electrical services. It explains the potential to integrate complementary services to produce a corporate solution. In terms of pricing the works, the business plan projections show that the works are affordable using current capital allocated and prudential borrowing albeit that for the first year a decision will be required as to whether it is prudent to make financial provision for the one off costs awarded under the project.
43. Finally, the cost of providing the Register Office accommodation and 50% of the cost of the Marriage Hall (shared use) has been excluded from this project. Should funding of £250,000 not be available from alternative sources, at least the Marriage Hall corporate element of the project would have to be built back into the scheme as this is an income generation area for conferences.

44. In terms of the alternatives available, if this scheme does not proceed, as a minimum, consideration should be given to early investment of some £1.1m for the essential works to the electrical, mechanical and plant installations, in accordance with capital programme submissions. This work will not visibly enhance the facility, thereby facilitating improved income or reduced subsidy levels. However, if no action is taken, the Dolphin Centre would be vulnerable to potential major disruption of services and potential further reduction in income and usage as the facility ages.
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Mechanical and Electrical Installations – Priority Classifications

Priority	Priority Description	Justification for Expenditure	Possible outcome of deferment	Timescale Guide
A1	Essential	For compliance with statutory requirements of building operations	Danger to staff, contractors, public, closure of areas or buildings	Immediate as soon as practical
A2	Necessary	To maintain operation of services	Failure/breakdown of equipment resulting in building services down time	No more than 24 Months
B1	Important	To maintain economic value of building services	High maintenance breakdown costs	No more than 3 years

Priority	Priority Description	Justification for Expenditure	Possible outcome of deferment	Timescale Guide
B2	Economical	Reduce energy costs	Increasing operational costs	No more than 3 years
C	Desirable	To improve buildings environment, services quality, services value	Poor building environment, future high capital expenditure to upgrade deteriorating building service to current standard	No more than 5 years

