

Further Development of the Lockmeadow Leisure Complex

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|---------------------------------------|--|
| Final Decision-Maker | Policy and Resources Committee |
| Lead Head of Service | Mark Green, Director of Finance and Business Improvement |
| Lead Officer and Report Author | Alexa Kersting-Woods, Leisure Property Manager |
| Classification | Public |
| Wards affected | All |

Executive Summary

The Lockmeadow Leisure Complex is a key element in the Council's strategic priority to make Maidstone a thriving place. Following the Council's acquisition of the complex in November 2019, further investment has taken place in accordance with the original business case for the purchase. This envisaged that, by investing in the property, the Council could generate additional revenues and make the complex more attractive to residents and visitors. In spite of the Covid-19 pandemic, this investment is now paying off, as set out in this report.

The report sets out a proposal for further investment amounting to £250,000 to upgrade the market building and the undercroft, which will help to ensure that these parts of the complex can achieve their full potential. The investment comes from the sum of £1.8 million allocated to Lockmeadow in the capital programme approved at the Policy and Resources Committee meeting on 19 January 2022, which was subsequently approved by full Council on 23 February 2022.

Purpose of the report

For decision.

This report makes the following recommendations to this Committee:

1. To support the proposals for improvement works.
2. To approve the requested capital spend.
3. To delegate authority to the Director of Finance and Business Improvement to undertake a procurement process and award such contracts for delivery of the works in line with financial procedure rules and applicable public contracts regulations and principles.
4. To authorise the Head of Mid Kent Legal Services to complete the necessary contract documentation and agreements associated with the works.

| Timetable | |
|--------------------------------|--------------------|
| <i>Meeting</i> | <i>Date</i> |
| Policy and Resources Committee | 23 March 2022 |

Further Development of the Lockmeadow Leisure Complex

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|---------------------------------------|---|---|
| Impact on Corporate Priorities | Further investment in Lockmeadow will materially improve the Council's ability to make Maidstone a Thriving Place. | Director of Finance and Business Improvement |
| Risk Management | Already covered in the risk section. | Director of Finance and Business Improvement |
| Financial | The plans contained in this report would require a capital investment of £250,000. This will come out of the £1.8m already allocated in the capital spending programme. | Director of Finance and Business Improvement |
| Staffing | We deliver the activities set out in the report with our current staffing. | Director of Finance and Business Improvement |
| Legal | Advice on procurement (if needed) and negotiating and drafting contracts can be provided by the Contracts and Commissioning Team. | Legal – Contracts and Commissioning Team Leader |
| Privacy and Data Protection | There are no specific privacy or data protection issues to address. | [Policy & Information Manager] |
| Equalities | The recommendations do not propose a change in service therefore will not require an equalities impact assessment | [Policy & Information Manager] |
| Public Health | The further development of the children's play area helps to make it a suitable place for children to play, socialise and be active. | [Senior Public Health Officer] |

| | | |
|--|---|--|
| Crime and Disorder | Security of the play area is be provided through our existing security provision at Lockmeadow. This is through 24-hour on-site security guards and monitored CCTV. | Director of Finance and Business Improvement |
| Procurement | There would need to be a recruitment process for the construction works. | Director of Finance and Business Improvement |
| Biodiversity and Climate Change | As part of a current and ongoing decarbonisation study Lockmeadow's heating, insulation, lighting, renewable energy potential, EV charging potential will be explored in detail and corresponding energy plans will be devised to reach Net Zero by 2030 in line with MBC's commitment. Furthermore, nature-based solutions for flood prevention around the Lockmeadow carpark and riverbank are also being explored. Findings from these studies will support proposals for improvement works. | Biodiversity and Climate Change Manager |

2. INTRODUCTION AND BACKGROUND

2.1 Lockmeadow comprises:

- leisure centre with an Odeon multiplex cinema, 18-lane bowling alley, a trampoline park, restaurants and a two-level David Lloyd swimming pool and gym complex
- car parks
- a market hall operated by the Council.

2.2 In November 2019, the Council purchased the long leasehold interest (105 years unexpired). The rationale for the purchase was to take control of a centrally located site which plays a key role in Maidstone's leisure offer and would help the Council realise its priority of making the borough a Thriving Place. Projected financial returns from the acquisition met the Council's investment criteria. It was anticipated that further investment would be required to maximise returns from the site and to ensure continued high levels of tenant occupancy, and this was factored into the business case for the purchase.

2.3 Investment to date has been as follows.

Phase 1 – External improvements

External improvements were carried out in 2020 to improve the look of the building and the site in general. They included modernisation of the external facia, removal or replacement of railings and a new, more welcoming entrance to the car park. In addition, the cattle shed type structure at the rear of the car park was removed to open the site to its attractive riverside location.

Phase 2 – Food Hall and Play Area

When the Council acquired Lockmeadow, there were two vacant units located on the ground floor of the centre. It was proposed, and agreed by this Committee, that a new approach was needed to attract tenants and maximise income from the site. As a result, the empty units were converted into a Food Hall, branded as 'Love Food at Lockmeadow'. The Food Hall not only generates revenue for the Council and brings additional footfall to the complex, but it also helps local businesses to grow. One of the food hall tenants has been voted as Maidstone number 1 restaurant on trip advisor

In addition, a play area has been installed between the Millennium Bridge foot path and the Town Square. This has increased footfall to the site and will attract customers for all our tenants.

2.4 Income from Lockmeadow since acquisition is shown below.

| | Target | Actual | Variance | |
|------------------------------------|--------|--------|----------|--------|
| | £000 | £000 | £000 | % |
| Lockmeadow - main complex | | | | |
| Year to 31.3.20 (4 months only) | 568 | 562 | -6 | -1.1% |
| Year to 31.3.21 | 1,705 | 1,068 | -637 | -37.4% |
| Year to 31.3.22 (projected) | 1,710 | 1,697 | -13 | -0.8% |
| Year to 31.3.23 | 1,796 | | | |
| | | | | |
| Market | | | | |
| Year to 31.3.20 | 164 | 136 | -28 | -16.9% |
| Year to 31.3.21 | 168 | 46 | -122 | -72.3% |
| Year to 31.3.22 (projected) | 168 | 76 | -92 | -54.7% |
| Year to 31.3.23 | 156 | | | |

Income from the main complex was below target in 2020/21, as all but one of the tenants were forced to close because of the Covid-19 pandemic. Rather than enforcing the Council's contractual entitlement to rent payments, a strategy was followed of offering lease extensions in return for rent holidays. This has given the Council greater assurance about the

longevity of tenancies and increased the capital value of its assets, in return for a short-term adverse impact of £637K on revenues.

2.5 Income from the main complex has recovered strongly in 2021/22 and is expected to be at or close to the target of £1.71 million. Visitor numbers have recovered to pre-pandemic levels. During February 2022 half term week we reached a record-breaking visitor level of 50,007 in a week compared to the same week pre pandemic of 41,515. Between 1st January and February 27th 2022 footfall was 130,637 compared to 111,516 in the corresponding period in 2020.

2.6 The neighbouring market hall and outdoor markets were in long-term decline prior to the pandemic and suffered badly during the pandemic. They are only now (Spring 2022) returning to pre-pandemic levels of trading.

2.7 Investment in Market Hall

To date, new investment has focused on the main leisure complex at Lockmeadow. However, it is considered that there is potential for increased levels of occupancy in the market hall and an expanded and improved market. To help the Council achieve this it is proposed to invest in improving the appearance of this area of the complex and to extend to it the same quality and type of branding as is now employed elsewhere.

Specifically, the scheme would bring the Lockmeadow 'grey' to the outside of the market buildings. It would create a new entrance to the hall, as currently the main door is very low-key and looks like a fire exit. The scheme would incorporate the new market branding in external signage and improve the visibility of the signage.

The hall already has a busy programme of bookings. There is much going on, ranging from dog shows and auctions to an archery club, but we still have gaps to fill in the calendar. Currently utilisation is running at approximately 70% on average, although it is higher at some times of the year. An improved look will make it a more appealing venue and the signage will make it more noticeable to the 1,000's of visitors to the site each week.

2.8 Undercroft

Our Saturday market in the undercroft is currently attracting around 30 stallholders each week. It is doing well in comparison to other Kent markets but the stall holders often complain about the undercroft being dark and uninviting. It is therefore proposed to invest in an improved environment, as it is anticipated that these measures would be successful in attracting new stallholders. If we were able to increase the number of stalls from the current average of 30 to 50 stalls this would generate an approximate income increase of £15,750 per annum.

The market brand colours would be applied to the pillars in the undercroft and the lighting would be improved to make the space more attractive. (A

similar effect has been achieved successfully at Maidstone Bus Station in the recent refurbishment there).

In conclusion, the impact of this project will be that the hall and market would look better and would be more in keeping with the rest of the site.

2.9 Play area expansion

The play area at Lockmeadow is proving really popular and is a great asset to the site. It is now proposed to expand it with some play equipment for older children. This installation would take place at the same time as the work described above in the market hall and undercroft.

2.10 Costs

Based on initial estimates, a budget of £250,000 is sought for the work described above. It is estimated that increasing the number of stallholders from 30 to 50 and increasing the occupancy of the market hall from approximately 50% to 75% would yield additional annual income of around £25,000, meaning that the investment would pay back within ten years. This investment return is very comfortably in excess of the Council's criterion of a 4% annual return on capital investment.

3. AVAILABLE OPTIONS

3.1 Option 1 – Carry out further investment in order to generate an improved return from the market and undercroft.

3.2 Option 2 – Take no further action at this time.

4. REASONS FOR PREFERRED OPTION

4.1 This report recommends option 1. The proposals are in line with the overall strategy for investment in Lockmeadow and the performance to date indicates that they will help to ensure an improved level of income.

5. RISK

5.1 The risks associated with the proposals in this report, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework.

5.2 Specific key high-level risks and mitigation arising from this project are set out below:

| Risk | Mitigation |
|--|--|
| Failure to generate additional bookings in market hall | We could look at how we could generate income ourselves by organising events such as plant and art sales and larger scale events such as music and food festivals. |

| Risk | Mitigation |
|--|--|
| Failure to attract further stall holders | We could run incentive schemes to attract new traders such as a number of free taster sessions. We could also offer discounts to charities for fundraising stalls. |
| Failure of leisure economy to recover from coronavirus | The recovery in footfall at Lockmeadow suggests that there is a lot of suppressed demand for the kind of activities available at the complex. However, in the event of a permanent and irrevocable downturn in the leisure economy, our ownership of the entire Complex gives us the scope to seek strategic solutions including finding different uses of the site. |

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The strategic context to the acquisition of Lockmeadow, i.e. setting 'Thriving Place' as a priority, the Medium-Term Financial Strategy and the Capital Programme, have been discussed extensively with Members. Members agreed the acquisition of Lockmeadow and support the Council's ambitions for the site.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 Should the Committee approve the recommendations of this report, the work described will proceed.

8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.