

**Report To: Cabinet**

**Date of Meeting: 25 March 2014**

**Lead Member / Officer: Cllr Huw Jones**

**Report Author: Jamie Groves, Head of Communication, Marketing & Leisure**

**Title: Coastal Facilities in Rhyl and Prestatyn - Interim Management Options**

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### **1. What is the report about?**

In January 2014, Cabinet considered the findings of a due diligence review into Clwyd Leisure Ltd (CLL) and concluded that it was too great a risk for the Council to take over the company. Cabinet also decided to cease funding CLL from 1 April 2014 onwards due to concerns over the quality and level of service provision. Following this CLL ceased trading and closed their facilities in Rhyl and Prestatyn with immediate effect.

This report sets out the recommendations arising from a detailed appraisal of the building conditions and the cost benefit analysis in respect of the different interim management options for the facilities, (**APPENDIX A**), whilst the business case for a much improved leisure offer on the coast is developed.

### **2. What is the reason for making this report?**

The report is necessary to enable Cabinet to make decisions about the facilities formerly operated by Clwyd Leisure Ltd - the Sun Centre, Nova Centre and North Wales Bowls Centre – and now returned to the control of the Council.

### **3. What are the Recommendations?**

That Cabinet:

1. Approve the re-opening of the Bowls Centre from April/May 2014 and that officers explore a future operating arrangement in partnership with the existing bowls clubs.
2. Agree that the Nova Centre remains closed pending agreement of the Alliance Leisure redevelopment proposals in May 2014, note that in the interim alternative gym and fitness provision will be available at Prestatyn Leisure Centre, and ask officers to explore alternative public access swimming opportunities for the local community with other local providers.
3. Agree that the Sun Centre is not reopened as an aquatic facility, note that alternative gym, fitness and swimming provision will be available from Rhyl Leisure Centre and authorise officers to explore further opportunities for the conversion of the facility for alternative 'dry' activity uses.
4. Note that the financial consequences of the recommendations can be contained within the budget available for coastal facilities in Rhyl & Prestatyn.

5. Confirm that the Council remains focused on securing a new aquatic leisure offer for Rhyl through the arrangements agreed by Cabinet in February.

#### **4. Report details**

In January 2014, following lengthy discussions with Clwyd Leisure Ltd (CLL), Cabinet agreed not to take over the company and also decided to cease funding as a result of ongoing concerns regarding quality of service provision. In February 2014, CLL ceased trading and closed its operations at the Nova Centre, the Sun Centre and the North Wales Bowls Centre with immediate effect. On 28<sup>th</sup> February, CLL Board confirmed the company would close through voluntary liquidation and appointed an Insolvency Practitioner to act as liquidator. On 7 March, as part of the process of liquidation, the keys to all 3 facilities were returned to the Council in its role as landlord.

Over the last 2 months officers have thoroughly appraised the operating costs, risks and opportunities if the Council were to operate the coastal facilities from April 2014 onwards. The different scenarios are reviewed in the attached options and risk appraisals. (**Appendix A**). As a result of this review, the risks posed by the physical structures, plant and machinery at the three sites as well as the financial and management considerations are clearer, allowing firm recommendations for each facility to be made.

#### **Key Considerations**

##### **The North Wales Bowls Centre**

The North Wales Bowls Centre appears to have good support and usage, and the potential for a long term future. It also appears that at worst, and based on a slightly reduced opening schedule (2 days a week reduction during the off-peak season), the Council could operate the facility with only a small annual operating loss when repair costs are taken into account.

Given the potential for a long term future for the facility, the repair and set up costs could be written down over a longer period, or covered by grant funding secured by a community interest company. It therefore makes sense to open the Bowls Centre with support from the Club(s) to work towards making operations cost neutral. This would include consideration of the required investment in roof repairs and a new carpet, which could potentially be funded via Prudential Borrowing over a 10-20 years period at a revenue cost of around £10k pa.

##### **The Nova Centre**

In February, Cabinet agreed to commission a business case for a full redevelopment of the Nova Centre. It is due to consider this in May. If the redevelopment business case is robust and acceptable, refurbishment works are expected to start in the autumn.

The appraisal has shown that re-opening the Nova in the interim would require set up and urgent repairs expenditure of around £80k and that it would take until July to open the facility. While the building condition is reasonable, unfortunately due to the limited and out-dated offer, operating costs are shown to far exceed likely income resulting in a significant loss (over £208k) for the period to the autumn, when redevelopment work is expected to start.

On this basis, it does not make economic sense to re-open the Nova ahead of refurbishment.

## **The Sun Centre**

The Sun Centre interim management options have been difficult to appraise and have been approached on the basis of making every effort to re-open the facility, provided financial and operational risks could be addressed. However, despite best efforts, the assessments show that re-opening the Sun Centre as an aquatic facility is neither a cost-effective nor a manageable option.

The appraisals show that the building and its equipment are in a poor condition, and that significant repairs are needed to allow it to open and operate safely. Building repair and maintenance costs have been estimated in the region of £218k in year 1 and up to £500k over the next 2-3 years, with a risk of plant failure remaining high. Given the scale of work required, it will not be possible to open the facility before July. Some further inspections have yet to be carried out but it is reasonable to assume that further inspections will only add to costs. It should be noted that these works will only serve to address essential maintenance and will not improve the overall offer or visitor experience.

With such significant investment required in repairs and maintenance, maximising income is essential. Unfortunately, the Sun Centre has a trend of steadily declining visitor numbers - nearly 50% reduction over the last 6 years – and even if this were stemmed, the facility would not generate sufficient income to cover its costs. The appraisal shows operating losses over the next 3 years estimated to be £271,818 in year 1; £162,089 in year 2 and £178,922 in year 3. These are unaffordable and cannot be considered to offer value for money.

It does not make economic sense to re-open the Sun Centre as an aquatic leisure facility.

An Alternative Dry Leisure Option – There have been early indications of commercial sector interest in using the Sun Centre space for a dry wheeled/adventure 'adrenaline zone' leisure offer. These are considered worthy of further exploration for a number of reasons: a dry offer would be less costly to run and could prolong the life of the building to more than just a few years; the investment and operation by a commercial operator would release the Council from the ongoing distraction of operating an ageing facility; a potentially all year round attraction could be developed and it would demonstrate a working commercial offer on the coastal front to the private sector.

Cabinet is asked to authorise officers to progress with exploring alternative dry leisure proposals for the vacant Sun Centre space.

### **Alternative leisure provision**

It is anticipated, assuming the redevelopment business case is robust and acceptable, that refurbishment work on the new Nova can be completed by mid 2015. In the interim, gym and fitness provision will be available at Prestatyn Leisure Centre and officers will explore opportunities for alternative public swimming provision with other operators in the area.

Replacement of facilities in Rhyl will take longer to deliver. Work is already underway to invite expressions of interest from developers to partner with the Council in the delivery of a modern, state-of-the-art aquatic leisure facility for the town. In the interim, alternative gym, fitness and formal swimming provision will be available from Rhyl Leisure Centre and, as noted above, officers will continue to explore opportunities for development of a dry leisure/visitor officer in the vacant Sun Centre space.

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

The development of an improved leisure offer along the coast is a major strand of the corporate priority 'Developing the Local Economy' which is closely aligned to the regeneration of Rhyl and the coastal strip beyond.

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

The funding that will no longer be provided to CLL in 2014/15 will be ring-fenced to continue to deliver a future leisure offer along the coast, and in the interim, to deal with the costs and consequences highlighted in this report.

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

No Equality Impact Assessment has been carried out as the focus of the report is on interim management arrangements and not the long term solutions.

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

Previously, consultations have been carried out with the Rhyl and Prestatyn Member Area Groups and Members have been kept informed of developments since CLL ceased trading and the buildings were closed. Members have recently viewed the facilities in order to gain an understanding of their condition and the issues that have been highlighted. The Corporate Director Economic and Community Ambition, and the Head of Communications, Marketing and Leisure have consulted both Rhyl and Prestatyn Town Councils on the proposed recommendations.

## **9. Chief Finance Officer Statement**

The council spent a significant amount of time and effort, initially with CLL, and later on its own looking at how the future of these sites could be secured. The due diligence exercise showed that the council could not accept the risks associated with taking over the company or to continue to fund the existing operations.

The council accepted that neither the company nor the facilities were good enough and withdrew its funding. At this point Clwyd Leisure chose to go into voluntary liquidation.

A thorough options appraisal has been undertaken and the options are shown in the report.

The bowls centre clearly has a long term future and should continue to operate with the expectation that further investment in the facilities comes from increased income at the venue.

It is clear that to reopen the Nova for what could be a very short period of time does not make financial sense. With a business case for the refurbishment of the centre due within two months it would be inadvisable to reopen the site as a short term, knee jerk reaction to the situation. The recommendation in the report is costed and funded. There is not sufficient budget to cover the expenditure requirement to reopen the site even in the short term. Therefore, should members decide to reopen it they will need to identify which budget to cut to fund it.

The Sun Centre has similar issues. The council is developing strategic investment plans for the coastal offer in Rhyl. To push on with partial re opening of a poor facility (certain slides and

pools would remain closed anyway) at significant cost is not advisable. The options appraisal shows the additional costs of re-opening, but has not considered any costs to improve the visitor offer. A number of appliances and electrical equipment have not been tested either. So should members wish to reopen, further costs will be incurred on additional testing with the risk that some equipment may need works carried out or replacing at extra cost. There is no budget to cover these additional costs so members would need to identify which budget to cut to fund it.

The proposals contained within this report are the most financially sound. They show an average cost over the three year period of £175k per year against a current budget of £174k. The balance will be absorbed by the service. They are therefore affordable.

The financial projections within the report are reasonable and robust. There are risks attached with any forecast. With current plans, the Nova is redeveloped, a private company quickly takes on the Sun Centre and the bowls centre is run more effectively. This could significantly reduce the costs to the council.

However there is a relatively small risk that none of the above will happen and that additional unexpected costs arise given the complex and unusual nature of the circumstances we are in.

Overall, I am satisfied that the options recommended are the most financially sensible, affordable and offer lower financial risk to the council than any of the other options considered. They also still leave the opportunity for both of the major sites to be reopened in a more sustainable way.

There is no additional funding available to reopen the facilities in their current condition so members would need to decide which budgets should be cut should they choose to reopen. However given the longer term proposals for both sites additional expenditure would clearly not offer value for money and at its worst could be a significant waste of public money.

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

The re-opening of the Coastal facilities and in particular the Sun Centre does carry significant risks – these have been covered in the attached appraisal.

## **11. Power to make the Decision**

Section 2 Local Government Act 2000  
Section 111 Local Government Act 1972