

**COASTAL FACILITIES
(FORMERLY CLWYD LEISURE OPERATED)
MANAGEMENT OPTIONS APPRAISAL**

SUMMARY REPORT

Introduction

This paper has been prepared to examine the case for Denbighshire County Council (DCC) to re-open the Coastal Leisure Facilities following the business failure of Clwyd Leisure and the return of the assets to DCC.

A comprehensive appraisal of the options to re-open or close the coastal leisure facilities has led to what are considered to be relatively straightforward, albeit challenging conclusions.

Context

The decision to re-open or confirm the closure of the facilities should be set in context with the future vision for the regeneration of Rhyl and the Coast – both infrastructure development and operational plans.

The current vision for the future relies on a partnership with the private sector – essential if investment is to be sourced for the development of commercially attractive coastal leisure facilities, contributing to the economic regeneration of the Rhyl Coast and Town Centre.

Whilst such interest is still to be delivered, the recent soft market testing has shown that a complementary development strategy for the whole coastal offer from Marine Lake and the Foyd to Splash Point is likely to be critical i.e. the mix of facilities; their financial performance; the inclusion of those that can generate the highest footfalls and commercial returns post investment will all be key. The decision to close or re-open the existing facilities, following the demise of Clwyd Leisure management, must therefore be taken in that context.

In terms of interim management options, it is considered unlikely that a private sector operator would respond to an invitation to take up a short term contract to manage the facilities. The private leisure management sector would not respond on a short term basis owing to high set up costs; remote management issues; high risk of plant/building failure; lost reputation etc. This option has not therefore been reflected in the following appraisal.

Summary Conclusions

The Nova

The appraisal shows that it does not make economic sense to re-open the Nova ahead of a decision on refurbishment. The main issue for the Nova centre is not building condition but operating costs. The out dated offer means that income levels are lower than needed to cover

costs, leading to a significant operating loss, as shown below. If the Alliance Leisure redevelopment business case is robust and acceptable, DCC expect the works to commence in the autumn 2014.

Nova Centre - Summary Financial Analysis (July – September Opening)			
	Full Operation (Full year)	Partial Operation (Summer Season- only)	Closure
Set up costs	£80,300	£80,300	
Expenditure	£727,150	£436,290	£71,258
Income	£379,500	£227,700	
Profit/(Loss)	(£347,650)	(£208,590)	(£71,258)

The North Wales Bowls Centre

The North Wales Bowls Centre appears to have good club/community support and the potential for a long term future. 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 possibly even be covered by grant funding. It therefore seems to make sense to open the Bowls Centre with support from the Club(s) on the understanding that at worst it needs to be cost neutral. If this means delaying repairs or increasing rink fees, then the Clubs would be involved in the decision.

North Wales Bowls Centre - Summary Financial Analysis (1st April Opening – full year costs)			
	Full Year Operation 7 Days a wk	Partial Operation Closed for 2 days a wk in off peak season	Closure
Set up costs	£10,100k	£10,100k	
Expenditure	£297,549*	£213,437*	£17,588
Income	£235,000	£204,550	
Profit/(Loss)	(£72,649)	(£18987) Year 1 reducing to just under 9k in year 2 onward	(£17,588)
* Including up to £10k Prudential Borrowing revenue a year to fund a £140k investment in roof and carpet written down over 10 an d20 years . To be allocated from the existing revenue budget.			

The Sun Centre

Context - Rationale for The Sun Centre

The primary purpose of the Sun Centre Aquatic offer is as a fun, leisure holiday attraction – principally targeting the visitor market. Its presence has no bearing on the Council's core aquatic offer - learn to swim/fitness and competition swimming. The reason for its re-opening would be to provide a predominantly visitor offer and maintain a positive public perception.

Financial Analysis

The set up costs would include £218k for 'urgent' and 'imminently required' essential maintenance works as identified in the Condition Survey and verified following subsequent follow up inspections / visits. This figure has been critically reviewed (see summary text box below) but the £499k total condition survey costs would undoubtedly still be required over a longer 3 – 4 year period of operation. There would also remain a risk relating to the ongoing reliability of plant and equipment, although there is no indication from the most recent inspections that suggest imminent failure (an assumed risk all the same).

Condition survey carried out:

- Identified total costs of works required as £499,125 excluding mechanical and electrical items
- Set up costs of £218,567, determined by evaluating the survey and prioritising work accounting for urgent / health & safety issues and repairs / minor refurbishment to public areas including changing, toilet areas, some areas of the pool surround, kitchen areas, lobby / foyer and mechanical & electrical installations

Outstanding items to be further investigated – costs to be determined. This will add to the costs already contained within this report. Need to determine whether or not to continue incurring costs for further exploratory works and testing. Based on the 'Known' costs alone, the business case is already highlighting a significant deficit position.

- Further surveys are required on the kitchens and associated appliances to ensure compliance
- Set up cost includes the re-commissioning, testing and servicing of all plant and assumes that all mechanical & electrical installations will operate on set up
- A full fixed wire electrical survey is required which could identify additional expenditure
- A major mechanical or electrical failure during re-commissioning or operation could require significant additional funding
- Similarly, any emerging /accelerated Health & Safety issue or building/structural defect would require additional funds
- The set up cost assumes there are no issues with flumes and structures /areas that were not accessible during the non - intrusive survey
- The set up cost assumes that all the lockers are in good order and do not need replacement
- The set up costs do not include any external work
- **Due to increased health & safety risk the Dragon Slide and baby pool would need to remain closed.**

In addition a further £24k would be required for ICT installation, essential supplies, deep cleaning etc. Added to this is the cost of the DCC staff time and resources – estimated to be over £40k.

The total set up cost would therefore be £284,353. The building would take until July to commission and costs would be for a short summer/peak season from only July- September (62 days operation).

Based on the visitor numbers to the Sun Centre in 2013 (47k over 62 days) the operating loss to the Council for 2013 would be £271,818 for a July-September opening. An increase in visitor numbers of 74% would be required to just deliver a financial breakeven position for that period.

Into the future, DCC would not incur the same set up costs although further capital investment demands are expected. However, the Sun Centre building and physical offer will continue to deteriorate, which given the financial circumstances and the fact that the building has reached the end of its beneficial life means any additional capital investment to improve the offer will not represent value for money.

A significantly improved trading position without investment in an improved offer, will most certainly be difficult given the trend of steadily declining visitor numbers- nearly 50% reduction over the last 6 years (125k in 2009 for a full Whitsun/Summer season and 47k for 62 days in 2013.)

The normal approach to maximise income from an underperforming and failing facility would demand a 5 - 10 year business plan setting out a spend to save case for investment to improve the offer to increase footfalls and income. However, the business plan to operate the deteriorating Sun Centre facilities over a 3-4 year period will not allow for any improvement to the offer.

Thus, as set out below, the capital / revenue investment of over £280k in year one, with further capital spend required in the following years will be into a deteriorating building without a business case able to generate the return for that investment.

Sun Centre - Summary Financial Analysis (July – September Opening)				
	Year 1 Operation for the Summer	Years 2 Summer Operations	Years 3 Summer Operations	Closure yr 1 reduces notionally in year 2 onward to (£88410)
Set up costs/Capital Costs in ongoing years	£284,353	£131,608	£104,000	
Expenditure	£420,465	£437,434	£455,612	£99,491
Income	£433,000	£406,953	£380,690	
Profit/(Loss)	(£271,818)	(£162,089)	(£178,922)	(£99,491)

Impact on Other Council Services

Reopening and operating the Sun Centre Aquatic Offer would also have potentially negative consequences for existing DCC Services:

- The re-opening of the Sun Centre Aquatic Offer will place considerable pressure on staff resources and potentially negatively impact the quality of services elsewhere in the County as the expertise will be required to re-instate the Sun Aquatic offer, due to the complexity of the operation and the known risks.
- The real cost to the Council's Services has also been calculated as over £40,000 in staff time for a number of officers including a number of experienced senior managers and supervisors who would be required to set up train and support the new services.

Impact on the Rest of the Rhyl Coastal Leisure Offer

In the context of the wider Rhyl Coastal Offer, the re-opening of the Sun Centre will divert a considerable financial investment and 'stretch' existing human resources and expertise, the consequences of which could also place at risk the successful operation of the other important Coastal facilities.

An Alternative Dry Leisure Option

There have however already 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.

Summary Analysis

The interim Sun Centre management options have been difficult to appraise and have been approached on the basis of an assumption that every attempt would be made to re-open the facility with the Council potentially carrying the burden of the associated risks.

However despite the Council's best intentions and strong desire to take on the commitment of making a success of re-opening the Sun Centre in order to make the best of the coastal leisure offer, as the investigations have continued a more detailed analysis has shown that the re-opening the Sun Centre as an Aquatic Facility is not going to be a cost effective option in effect to restore what would be a minimal community benefit and limited visitor impact – both a poor range of features and quality customer experience.

Summary Financial Analysis

Summary Financial Requirements of the Recommended Options			
	2014-15	2015-16	2016-17
Opening NWBC			
Capital	£10,100	0	0
Revenue	£213,437	£213,437	£213,437
Income	£204,550	£204,550	£204,550
SUBSIDY	£18,987	£8,887	£8,887
Keeping Nova Centre closed, pending refurbishment			
Capital	0	0	0
Revenue	£71,258	£71,258	£71,258
Income	0	0	0
SUBSIDY	£71,258	£71,258	£71,258
Not reopening Sun Centre as an aquatic offer			
Capital	0	0	0
Revenue	£99,491	£88,410	£88,410
Income	0	0	0
SUBSIDY	£99,491	£88,410	£88,410
TOTAL	£189,736	£168,555	£168,555

Conclusions

- It is only financially advisable to open the North Wales Bowls centre.
- It does not make economic sense to re-open the Sun Centre as an aquatic offer for a short season of activity, nor the Nova ahead of a decision on refurbishment and conversion into a more cost effective building.
- The Council has currently budgeted £174k (net of rental income) for the running of the Coastal Leisure facilities which would have been designated for the annual Clwyd Leisure management fee. If redevelopment at the Nova proceeds this autumn and if the Sun Centre can be converted to have lower operating costs and/or attract more visitors, the budget will be retained for investment in the future coastal offer and economic regeneration plans for the area.
- Further work is needed to establish if a dry offer in the Sun Centre building is realistic and would also significantly reduce costs. Therefore, the recommendation to Cabinet is to give officers a mandate to explore alternative options for the use of the Sun Centre building and maintaining alternative more cost effective leisure offers and attractions that would work for visitors – improve trade and serve the local community.

OPTIONS AND RISK APPRAISALS
SUMMARY CONCLUSIONS/RECOMMENDATIONS

Recommendations	Description	Rationale	Project Implementation Cost	Risks
<p><u>Sun Centre</u></p> <p><u>Option 4 - Do not re-open the Aquatics Facility and explore Converting to a 'Dry' Leisure Offer</u></p>	<p>Do not re-open the Aquatics Facility and Convert to a 'Dry' Leisure Offer</p> <p>Using the internal spaces for an 'adventure/adrenaline zone' – i.e. ramped, wheeled sports developed through a private sector partnership</p> <p>Invite expressions/explore commercial partnerships March – May 2014</p> <p>Convert the Pool Hall and be open for</p>	<ul style="list-style-type: none"> • There is a known (but not tested) level of interest from the private sector in this type of development • A new exciting attraction having a positive impact on visitor trade. • The investment and operation by a commercial operator would release DCC from the ongoing distraction of operating an ageing building. • Saves DCC from the much of the capital investment necessary for the re-opening of the aquatic offer. • An attraction would be maintained for 2014 and beyond – could be a longer possibly all year operation. • The quality of the building infrastructure 	<p>Savings of £284k set-up costs</p> <p>Although actual cost implications and understanding of any capital works would not be known until a commercial partner were secured</p> <p>Allows saving and reinvestment of some of the ring fenced subsidy (£174k)</p> <p>Financial benefits could include rental income subject to negotiation with private sector provider</p>	<p>Lower Risk Option, but:</p> <ul style="list-style-type: none"> • building may not be fit for other purposes • private sector developer may not come forward or the 'deal' may not be acceptable to DCC. • negotiations may take longer, delaying opening of the new offer • minimises risks of infrastructure/plant failure • negative

	business – target date 2014	<p>does not need to be high spec for these activities.</p> <ul style="list-style-type: none"> • Would send out positive messages to private sector developers about innovation and commercial interest. • The public swimming and fitness offer could be accommodated at Rhyl LC 		<p>consequence of not opening the pool</p> <ul style="list-style-type: none"> • alternative facilities available
<p><u>Nova Centre Option 1</u></p> <p><u>Do not re-open – proceed with major refurbishment plan pending agreement of Alliance model</u></p>	<p>Do not re-open – proceed with major refurbishment plan pending agreement of Alliance model</p> <p>Redevelopment business case to be available for consideration in May.</p>	<ul style="list-style-type: none"> • The Nova is a difficult building to manage with the highest running costs it would not be cost effective to open and run for a short period. • The gym and fitness offer will be available at Prestatyn Leisure Centre and swimming activity will be available in Rhyl and other providers in the Prestatyn area during the refurbishment. • The local economy might benefit from displaced F&B bookings 	<p>Ongoing costs of £71k</p> <p>However significant savings of net running costs over £208k as well as set up costs in excess of £80k</p>	<p>Low risk option:</p> <ul style="list-style-type: none"> • significant operating loss avoided • planned refurbishment model takes over • alternative facilities available • a positive PR plan will be needed to promote the long term benefits of the new offer and interim offer available

<p><u>Bowls Centre</u></p> <p><u>Option 3 : DCC re-open and assess business – develop future partnership with Clubs:</u></p> <p><u>NEWCO/CIC/ Company Ltd by Guarantee</u></p>	<p>DCC re-open and assess business – develop future partnership with Clubs</p> <p>Support oversee new arrangement for 12 months</p>	<ul style="list-style-type: none"> • The facility could be operated by DCC and work towards break even position • The approach would allow time for a review of the business operation and the development of the voluntary sector partnership approach – avoiding favouring one ‘ready’ club over a federation of the bowls community. • The Bowls Club have demonstrated and preparedness and readiness to take over the running of the Centre - they would require support and some of the non-bowls business will be transferred elsewhere – however this is considered to require a minimal level of help • The opening of the Bowls Centre should be restricted to bowls activities and the operation should be reviewed over a 12 month period to inform the best long term solutions • Most Indoor Bowls Centres are now run by the Bowls Communities • The approach should be designed to bring together the bowls clubs. 	<p>Set up costs capital £10k pa revenue sum/Prudential Borrowing to fund the £100k roof repairs and £40k new carpet / upgrade kitchen areas</p> <p>Facility to operate at a profit to offset set up costs</p>	<p>Low risk option:</p> <ul style="list-style-type: none"> • Low running costs – potential to make a profit • Strong voluntary sector to work with on longer term alternative management options
---	---	--	---	---

SUN CENTRE INTERIM MANAGEMENT OPTIONS CONSIDERED

Options				Analysis		
Facility Option 1	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<u>Do Not Re-open the Sun Centre</u>	Sun Centre closed & Pavilion Theatre remains open - until future private sector partner <u>or</u> other investment secured	No set up costs - £284,353 and costs in subsequent years	Lost opportunity to generate, albeit limited footfall/income.	Immediate savings - £284k not required.	More of an 'eyesore' building.	Negative impact on public perception of DCC and Rhyl
		The Sun Centre has been showing a rapid decline in visitor numbers – reported as 47,000 (62 days in 2013) down from 125,000 6 years ago – it will be difficult to buck that trend in a failing facility	Building further deteriorates – could be there for a few more years.	Long term perceived as negative impact on local economy and investment.	Poor public image of the Council – failing to re-open.	Negative impact on economic regeneration strategy and private sector investors
						Potential negative impact

						on Pavilion
		<p>No risk of capital works needed.</p> <p>As the operating manuals have all been destroyed it will be even more difficult to restore operations in old equipment.</p>	<p>Private sector investors may view 'possible' failure and walk away.</p>	<p>NNDR costs of £66k still incurred</p>		
		<p>Immediate savings for consideration to improve other areas of the coastal offer.</p>		<p>Other costs include: capital decommissioning; Insurance liability £14k; Standing charge for electricity £6kpa; security inspections £2.5k</p>		
		<p>More visitors spend through other business activities in local economy (events).</p>	<p>Negative impact on Pavilion custom. Investment would be required in the lobby areas.</p>	<p>Lobby enhancements would be required £10k</p>		
		<p>No negative impact on existing</p>	<p>Considerable unknowns/but lost</p>			

		staff resources/ Council services – the set-up of a high profile/at risk management in a very short time	potential financial improvements in future years.			
		No drain on investment which is needed in other areas	Negative impact on visitor trade.			
			Takes away from Rhyl when RGF is trying to re-build.			

Financial Summary

Benefits: savings of £284k set up costs

Disadvantages: costs of NNDR £66k pa and other capital decommissioning liabilities c£33k - with no income or public benefit – although 47,000 visitors from the summer opening in 2013 is a dramatic reduction from previous years and is indicative in part of the deteriorating quality of the facility

Property Summary

- The property would need to be fully decommissioned including all plant & services.
- There would be on - going revenue costs associated with the security of the building and the need for regular inspections
- There would be on - going revenue costs associated with reactive repair and maintenance.
- The property would still need to be insured.

Conclusion – Sun Centre Option 1 - Do Not Re-open

Not recommended

Negative impact to economic regeneration; visitor image; private sector image; DCC image;
 Difficult to manage publicity on full closure of both Sun and Nova Centres;
 Potential impact on Pavilion

Facility Option 2	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<p><u>Do Not Re-open and Demolish the Sun Centre</u></p>	<p>Sun Centre closed & demolished - until future private sector partner <u>or other</u> investment secured</p>	<p>No set up costs.</p>	<p>Private sector investors will still view overall failure/closure/demolition.</p>	<p>Immediate savings - £284 not spent but significant investment demanded for demolition (c£1m) and making good or further spend on Pavilion (c£2m).</p>	<p>Poor public image of the Council.</p>	<p>Negative impact on image of Rhyl and Council – demolished building with no replacement plan</p>
		<p>No risk of failed service & DCC positive Leisure reputation tarnished.</p>	<p>Pavilion remains exposed.</p>	<p>Long term negative impact on economy and investment.</p>		

		No risk of major costs.	Potential negative impact on Pavilion – Risk of temp closure and lost income.			
		Saves part decommissioning costs in favour of full demolition.	Negative impact on visitor trade.			
		More alternative spend in other business activities in local economy.	Takes away from Rhyl when RGF is trying to re-build.			
		Cleared site is more marketable.	Misses opportunity to achieve savings via an alternative offer			
		Removes ongoing costs of maintaining an empty building.	Demolition only will cost £1m but without the accompanying investment of £2-3m to complete the Pavilion refurbishment – this would be an inefficient and ineffective approach.			

		Could improve image and performance of Pavilion.	No investment available and would potentially undermine private sector plans.			

Financial Summary

Benefits: savings of £284 set up costs

Disadvantages: costs of demolition and making good the Pavilion £1m-£3m depending on extent of project

Property Summary

- The property would need to be fully decommissioned prior to demolition
- The property would need to be insured between closure and demolition.
- Any asbestos identified in surveys would need to be removed prior to demolition and there would be significant demolition costs with impact on the Pavilion Theatre operations.

Conclusion – Sun Centre Option 2 - Do Not Re-open and Demolish

Not recommended

Many of the same dis-benefits as in option 1;

Unaffordable/not cost effective;

May restrict private sector input;

Without demolition and restoration of Pavilion this closure model is not recommended.

Facility Option 3	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<u>Re-Open The Sun Centre Aquatic Offer</u>	For peak/high season i.e. July-August (62 days).	Maintains building - pending future investment plans.	3+ years of exposure to risk – failure – if major costs emerge will need close anyway – mitigating actions in respect of the Sun Centre are difficult to identify.	<p>Operating loss of £271,818 in first year and ongoing in following years.</p> <p>Cost of up to £218,567 for condition survey essential works in year 1.</p> <p>Plus DCC staff resource costs of £40,986.</p> <p>Plus set up costs £24,800 for first year i.e. Staff recruitment and training;</p>	Positive public perception of re-opening although risk of poor quality experience and risk of failure	<p>Plant failure.</p> <p>Reputation – open then may have to close due to plant or equipment failure.</p> <p>Cost recovery - if plant fails.</p> <p>All warranties and operating manuals have been destroyed - this will make it</p>

				Uniforms; Cleaning; Minor works; ICT; Marketing.		more difficult to effectively restore operations.
		Improves reputation of Rhy/DCC – public perception of maintaining aquatic offer but risk of poor quality experience.	Risk of failed service. Places considerable demands on DCC services – resource intensive set up in a very short timescale – demanding best expertise – detracting from other service areas.	Higher rates of pay/terms and conditions but more efficient staffing models.		Proves difficult to reverse the rapidly declining trend in visitor numbers owing to the quality of the experience.
			Risk of major costs emerging e.g. plant failure. Ongoing essential capital works, will need to address remaining condition survey requirements over subsequent years	Trend in declining numbers as a result of a poor offer will make it difficult to turn this performance into an operating profit given likely ongoing essential capital works and without a long term business case for investment to		

				improve the offer which is not a VFM option.		
		Maintains public confidence and spend in local economy.	Private sector investors will view any failure and be discouraged.	Additional £21k NNDR costs (£87k).		
		Shows the private sector what can be achieved.	Negative impact on Pavilion custom if doesn't work well.	Catering Services operate hot food outlet with £3k profit share		
		Improved local employment opportunities – 30 seasonal staff.	Running costs higher due to higher standard terms and conditions H&S etc.			
		Brings together of Sun and Pavilion operation with Rhyl LC and coast offers staff and efficiency benefits i.e. cash handling by Pavilion.				

Financial Summary

The trend in declining numbers as a result of a poor offer will make it difficult to turn this performance into an operating profit given likely ongoing essential capital works and without a long term business case for investment to improve the offer which is not a vfm option.

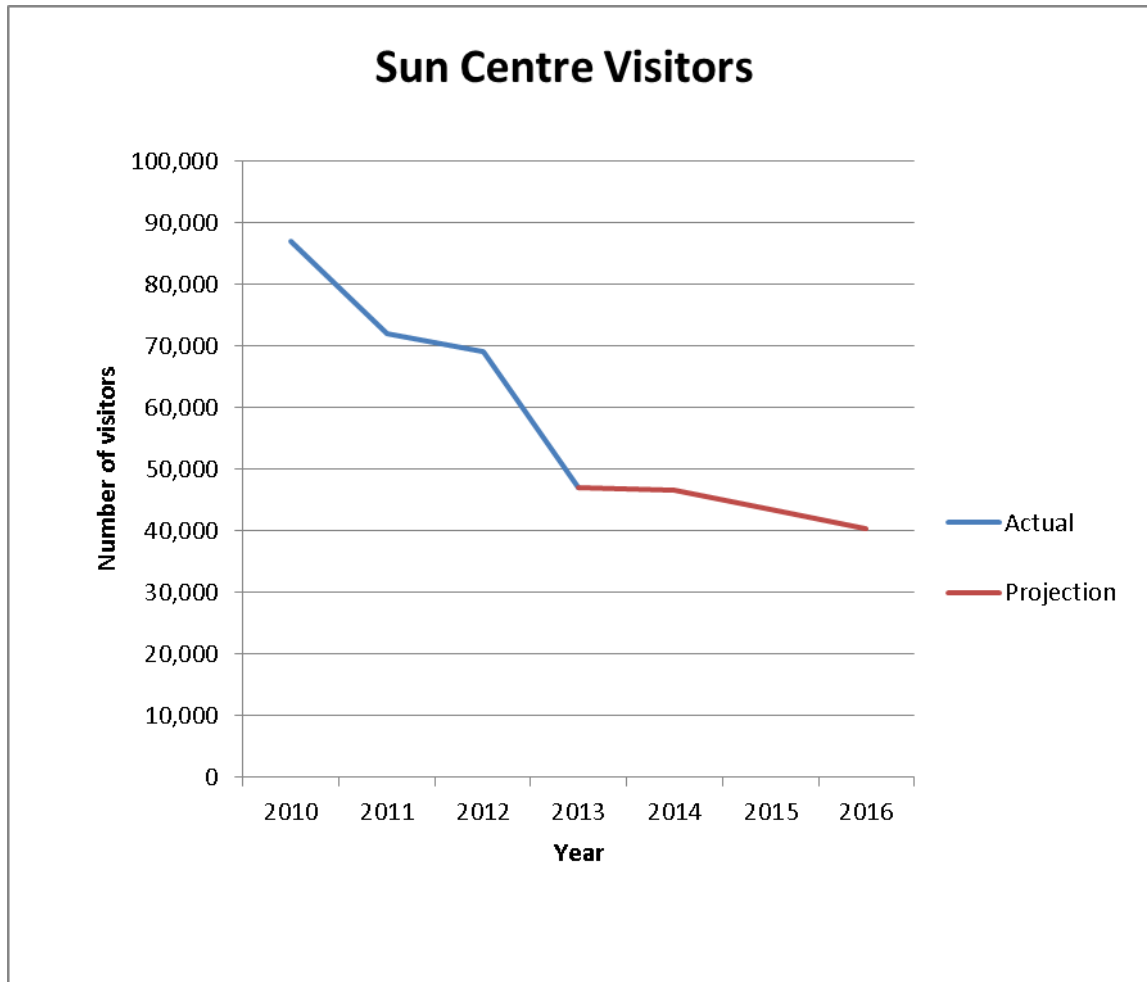
Capital set-up costs of £284k - this only addresses 2/5^{ths} of the known condition survey requirements; First year operating loss of £272k; limited capacity to increase footfalls due to poor quality physical offer and no long term business case feasible for capital investment.

Sun Centre - Summary Financial Analysis (July – September Opening)				
	Full Operation for the Summer	Years 2 Summer Operations	Years 3 Summer Operations	Closure yr 1 reduces notionally in year 2 onward to (£88410)
Set up costs/Capital Costs in ongoing years	£284,353	£131,608	£104,000	
Expenditure	£420,465	£437,434	£455,612	£99,491
Income	£433,000	£406,953	£380,690	
Profit/(Loss)	(-£271,818)	(£162,089)	(£178,922)	(£99,491)

Assumes 750 attendances a day for 62 days in year 1; cash handling by Pavilion; no management overheads; recruitment of seasonal staff

Running costs increase in years 2 and 3, mainly due to increasing energy costs. Income decreases due to declining visitor numbers.

Sun Centre Visitors



Projection based on slowing the downward trend in visitors significantly
(13% reduction over 3 years)

Property Summary

- Identified total costs of works required as £499,125 excluding mechanical and electrical items
- Maintenance costs of £218,567 determined by evaluating the survey and prioritising work accounting for urgent / health & safety issues and repairs / minor refurbishment to public areas including changing, toilet areas, some areas of the pool surround, kitchen areas, lobby / foyer and mechanical & electrical installations
- Costs includes the re-commissioning, testing and servicing of all plant and assumes that all mechanical & electrical installations will operate on set up

Unknowns still to be determined, but at this stage it is reasonable to assume this will add to the costs significantly. The fixed wiring test alone amounts to almost 6-8k

- A major mechanical or electrical failure during re-commissioning or operation could require significant additional funding
- Assumes there are no issues with flumes and structures / areas that were not accessible during the non - intrusive survey
- Assumes that all the lockers are in good order and remain in position.
- Further surveys are required on the kitchen and associated appliances to ensure compliance
- A full fixed wire electrical survey is required which could identify additional expenditure
- Any emerging /accelerated Health & Safety issue or building/structural defect would require additional funds
- The set up cost assumes there are no issues with flumes and structures /areas that were not accessible during the non - intrusive survey
- The set up costs do not include any external work
- Due to increased health & safety risk the Dragon Slide and baby pool would need to remain closed

Conclusion – Sun Centre Option 3 - Re-Open the Sun Centre Aquatic Offer

Not Recommended (Approval would demand significant investment for a limited return/ full appreciation of risks/ and a comprehensive risk management plan) - it would also be reasonable to set aside a contingency sum to cover any unknown costs associated with the highlighted risk areas.

Significant set up costs of over £284k

Projected 1st year loss of £272k with further losses likely into years 2 & 3 (detailed in the summary, based on current and possible improved trend, arresting the decline).

Highly resource intensive – a significant diversion and drain on the Council .

Difficult to set up in such a short period of time – not guaranteed by July.

Limited potential to increase visitor numbers given the current decline (a fall of nearly 50% over the last 6 years) with a high risk of further capital works/plant failure and likely annual loss.

Poor quality offer – a poor impression of Rhyl

Facility Option 4	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<p><u>Do not re-open the Sun Centre Aquatics and Convert to a 'Dry' Leisure Offer</u></p>	<p>Using the internal spaces for an 'adventure/adrenaline zone' – i.e. ramped, wheeled sports developed through a private sector partnership</p> <p>Invite expressions/explore commercial partnerships March – May 2014</p>	<p>Continuation of a coastal Leisure Offer and Attraction in Rhyl – a new exciting attraction having a positive impact on visitor trade.</p>	<p>There is a relatively short period between now and summer 2014 to set up commercial relationship.</p>	<p>Savings on £284k set up costs; and do nothing/closure costs of c £99k i.e. NNDR capital decommissioning costs; insurance liability ; standing charges; security inspections – subject to negotiation with private sector provider.</p>	<p>Positive public perception of Council taking action.</p>	<p>Building may not be fit for other purposes.</p>
	<p>Convert the Pool Hall and be open for business in 2014</p> <p>There is a known (but not tested) level of interest from the private sector in this type of development</p>	<p>The investment and operation by a commercial operator would release DCC from the ongoing distraction of operating an ageing building.</p>	<p>It is likely that the maintaining of the structure and integrity would remain as the responsibility of DCC and in the event of any structural failure, the business continuity of the private operator may demand that the DCC is responsible for</p>	<p>Financial benefits could include rental income subject to negotiation with private sector provider</p>	<p>Risk and uncertainty of no solution being secured before summer 2014 or at all and the building</p>	<p>Private sector developer may not come forward or the 'deal' may not be acceptable to DCC.</p>

			operator losses.		remaining closed/empty	
		Removal of risk for DCC of failure in maintaining service continuity.		Actual cost implications and understanding of any capital works would not be known until a commercial partner were secured		Negotiations may take longer with the new offer not open until 2015
		Saves DCC from the much of the capital investment necessary for the re-opening of the aquatic offer.				Costs unknown
		A summer time attraction would be maintained for 2014 and beyond – could be a longer possibly all year	Tight timescales and resources intensive in order to turn around invitations for expressions of interest/and conclude negotiations to achieve			

		operation.	a summer 2014. opening			
		The quality of the building infrastructure does not need a high spec for this type of activity.	Arrangements would still demand support and making good and potential capital works by DCC to secure the best deal.			
		Would send out positive messages to private sector developers about innovation and commercial interest.				

Financial Summary

Benefits: Savings of £284k set up costs; saved costs of c £99k from DCC maintaining a closed building; risks shared with a private sector partner

Disadvantages: Unknown cost benefits at this stage

Property Summary

- Condition survey would need to be revisited in context with the conversion plans and needs

Conclusion – Sun Centre Option 4 - Do not re-open the Sun Centre Aquatics and Convert to a ‘Dry’ Leisure Offer

Recommended

It is recommended that the Sun Centre is not reopened as an aquatic facility but that officers be authorised to explore further opportunities for the conversion of the facility for alternative uses.

The cost/benefit of converting the Sun Centre for alternative uses is currently untested but as an alternative to closure it is considered an option worth pursuing;

The costs to the Council would be kept to a minimum and a guaranteed rental income would be secured subject to detailed negotiations;

A new offer would be attractive to visitors and community alike and would give a positive message to would-be developers;

This option removes the risk to the Council of maintaining a failing pool where the condition survey identifies £499k worth of investment and demands an immediate Council investment of over £284k into a building which has reached the end of its beneficial life and does not represent sound long term value for money;

The option would minimise the impact on existing Council services and allow resources to be concentrated on other longer term investment priorities.

THE NOVA CENTRE INTERIM MANAGEMENT OPTIONS						
Options				Analysis		
Facility Option 1	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<u>Do not re-open and commence major refurbishment programme</u>	Do not re-open pending agreement of the Alliance model in May Refurbishment expected Sept 14 – mid 15	No set up costs – estimated at £80k.	Public see DCC failing to open – will need a positive PR campaign and the Alliance model – the better future - to communicate a good news story.	Nova loses most money – estimated loss of £348k for a full operating model or £208k loss for a partial opening – so would not be cost effective to open for a short period and difficult to turnaround financial performance in a short period.	Poor public response to closure –. DCC will need to be clear and firm on timescales for replacement offer.	Some risk to the pool and plant, having been out of operation for a period of time. –
		No net loss – estimated as £208k net loss just on the summer opening of the pool				Revenue costs associated with inspection and security.
		No risk of failed service		NNDR £56k (3 months rebate) insurance £7.5k; standing charge electricity £2k; security inspections		Negative impact on image of Prestatyn and public view of

				£2.5k; empty pool £2k; change locks £1k		DCC
		No risk of major costs Immediate savings – Nova loses the most money and difficult to manage efficiently and effectively.	Lost pool/summer but could be mitigated by other offers.			
		Positive impact on other local businesses – health and fitness and food and beverage.	Negative impact on community.			
		Limited impact on				

		tourists.				
		Swimming and fitness activity can be transferred to Rhyl and Prestatyn LCs, and other local providers available	Lost employment for a small period of time.			

Financial Summary

Benefits- savings of significant operating loss over £208k as well as set up costs in excess of £80k

Disadvantages – costs of £71k incurred anyway without opening

Nova Centre - Summary Financial Analysis			
	Full Operation (Full year)	Partial Operation (Summer Season- only)	Closure
Set up costs	£80,300	£80,300	
Expenditure	£727,150	£436,290	£71,258
Income	£379,500	£227,700	
Profit/(Loss)	(£347,650)	(£208,590)	(£71,258)

Property Summary

- Identified condition survey costs of works required as £456,641 excluding mechanical and electrical items. To be addressed via the new development.
- Set up costs for a short period of opening before September closure for major refurbishment £80k - covering the bare essentials identified in the survey including urgent work or health and safety issues. This set up cost would not resolve all of the urgent works or bring areas up to an acceptable standard. The pitched / flat roofs and external cladding are the main concerns and these will continue to deteriorate.

- Set up cost does not include any costs associated with the kitchen / catering including inspections / replacements of appliances.
- Set up costs include the re-commissioning of plant and assumes that all mechanical & electrical installations will operate on set up. A major mechanical or electrical failure could require significant funding. Similarly, any emerging health and safety issues or building defects would require further funding.
- Set up cost does not include replacement of lockers. 40% are currently non - operational.
- On - going revenue costs associated with the security of the building and the need for regular inspections would be incurred until the work starts
- On - going revenue costs associated with reactive repair and maintenance in the period between closure and works commencing and the property would still need to be insured

Conclusion - Nova Centre Option 1: Close - 6 Months Closure – pending agreement of Alliance model

Recommended The Nova is a difficult building to manage with the highest running costs and would not be cost effective to open and run for a short period; The earliest date when Property Services could complete the necessary works would be July; The total costs associated with set up and minimal maintenance for a short period do not represent value for money for no more than a 2 month period pending closure for refurbishment; The public offer will remain at the Leisure Centre and swimming activities could be moved to other pools in the area and Rhyl during the refurbishment period;

Facility Option 2	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<u>Do not re-open and Alliance model not agreed</u>	<u>Alliance model not agreed – so expose to coastal EOI framework route with the Private Sector</u>	No set up costs – estimated at £80k.	Building further deteriorates – could be there for a further few years.	Nova loses most money (£200-350k) – it would not be cost effective to open for a short period – difficult to turnaround financial performance in a short period.	Poor public image of the Council – failing to re-open with no clear replacement plans in place.	Some risk to the pool and plant, having been out of operation for a period of time.
		No net loss – estimated as between £208k and £347k pa – depending on the operating model	Public see DCC failing to open.	NNDR £56k (3 months rebate) insurance £7.5k; standing charge electricity £2k; security inspections £2.5k; empty		Negative impact on image of Prestatyn and public view of DCC

				pool £2k; change locks £1k		
		No risk of major costs.	Private sector investors may view as failure			
		Immediate savings.	Lost summer cash flow. (although does not currently derive enough income to cover the costs.)			
		Swimming and fitness activity can be transferred to Rhyl and Prestatyn LCs	Negative impact on visitor trade.			

Financial Summary

Benefits- savings of significant net running costs over £340k (Full year)as well as set up costs in excess of £80k

Disadvantages – costs of £71k incurred anyway without opening

Nova Centre - Summary Financial Analysis			
	Full Operation (Full year)	Partial Operation (Summer Season- only)	Closure
Set up costs	£80,300	£80,300	
Expenditure	£727,150	£436,290	£71,258
Income	£379,500	£227,700	
Profit/(Loss)	(£347,650)	(£208,590)	(£71,258)

Property Summary

- The property would need to be fully decommissioned including all plant & services.
- There would be on - going costs associated with security and inspections.
- There would be on - going costs associated with reactive repairs to the property particularly issues relating to the external cladding and roof.
- The property would need to be insured.

Conclusion – Nova centre Option 2 - Close - Alliance model not agreed - expose to coastal EOI

Fall-back Option if Alliance Model not agreed

As for Option 1 however the long term uncertainty associated with the EOI process is unlikely to be acceptable to the local community.

The cost of operating the Nova is known to be high and beyond the scope of DCC's current budgets

In these circumstances further consideration would need to be given to an alternative interim management model which could include: limited opening hours; extended swimming programme; managed F&B/function hire; re-location of fitness offer from LC

allowing for a school/DCC management approach to be progressed. **Would need to be explored further but could provide a medium term solution.**

THE BOWLS CENTRE INTERIM MANAGEMENT OPTIONS						
Options				Analysis		
Facility Option 1	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<u>Do not reopen</u>	Do not reopen	Saved running costs – net loss of £53k pa for a 7 day a week opening.	Voluntary sector partnership lost.	Security and decommissioning-on-going revenue implications associated with inspections and landlord responsibilities.	Poor public image of the Council – failing to re-open.	Building deteriorates
		Saved £140k investment in roof and new carpet		NNDR costs of £12k (3months rebate)		
			Public opposition/lobbying re closure of building with good support and use.	Insurance liability £4k; security inspections £1.2k; change locks and maintain alarm £1k		
			No other indoor bowls centre to displace activities.			

			An important sport for the older (as well as young population) – strong clubs in Prestatyn and Rhyl.			
--	--	--	--	--	--	--

Financial Summary

Benefits- £140k for new roof and carpet (effectively 10k per annum) avoided

Disadvantages – net subsidy could be turned into a profit share and costs of c£18k incurred anyway for rates

Property Summary

- The property would need to be fully decommissioned including all plant & services.
- There would be on - going revenue costs associated with the security of the building and the need for regular inspections
- There would be on - going revenue costs associated with reactive repair and maintenance.
- The property would still need to be insured.

Conclusion – Bowls Centre Option 1 – Close

Not recommended

There are no benefits of closure when the voluntary sector is ready and willing to assist with the future management, and the running costs are marginal.

Lost specialist bookings cannot be displaced.

Facility Option 2	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<p><u>Re-Open – via third party</u></p>	<p><u>Handover to Bowls Club on a short term licence and review in 12 months</u></p>	<p>Saved running costs – net loss of £53k pa for a 7 day a week opening.</p>	<p>Whilst current accounts show profits circa £68k – these will not continue following the relocation of a current long term booking and children parties to other venues, and the additional rates needing to be covered.</p>	<p>Most likely that DCC would need to invest in capital works of up to £140k before handover. The new company would not have funds in place to share such costs.</p> <p>Some costs associated with legal and property administration to establish the licenses / agreement</p> <p>Savings on business rates and security costs.</p>	<p>Positive news story and partnership approach to promote.</p>	<p>Voluntary sector group may not deliver a sustainable model.</p> <p>Terms of the license not favourable</p>

			Seasonal opening allows for summer closure when bowlers move outdoors.	Voluntary sector model might generate surpluses.		
		Voluntary sector management costs would be minimal.	A short term licence would allow for the facility to be opened followed by a review of experience allowing time to set up properly and review the partnership with club etc. which will take longer and 12-18 month handover/support.			
		Greater flexibility in respect of opening hours – seasonal – e.g. summer bowls outdoors.	Most likely that DCC would need to invest in capital works of up to £140k before handover. The new company would not have funds in place to share such costs initially			

Financial Summary

Benefits- savings of £53k running costs and some capital set up costs; potential of a profit share with voluntary sector

Disadvantages – lost opportunity for DCC to generate net profit following set up costs; would cost money and time to set up community interest company

Property Summary

- Assumes that all mechanical & electrical installations will operate on set up.
- Assumes there are no issues with structures Some work would need to be carried out under health and safety including the upgrade of the fire detection system, minor alterations in the kitchen area and improved DDA access to ensure compliance with legislation prior to transfer / grant of license.
- Allowance may need to be made for start-up costs, the replacement of the bowling carpet / underlay or full replacement of the roof.
- A full fire risk assessment would need to be carried out on the property before transfer. The existing condition survey would provide sufficient information to any interested third party.
- A third party organisation may be in a better position to draw down funding to ensure the activities and that the property is sustainable.
- There would be Property & Legal fees to consider in order facilitate this option.

Conclusion – Bowls Centre Option 2 - Handover to Bowls Club on short term licence pending longer term review

Recommended fall-back option

The Bowls Club have demonstrated and preparedness and readiness to help with the running of the Centre;
 They would require support and some of the non-bowls business will be transferred anyway– however this is considered to require a minimal level of help;
 The opening of the Bowls Centre should be restricted to bowls activities and the operation should be reviewed over a 12 month period to inform the best long term solutions;
 Most Indoor Bowls Centres are now run by the Bowls Community;
 This could be designed to bring together the bowls clubs of the communities into a stronger working partnership.

Facility Option 3	Description	Advantages	Disadvantages/Risks	Cost Implications	PR Implications	Risks
<u>DCC Re-Open with small reduction in opening hours</u>	<p><u>DCC open and assess business</u></p> <p><u>Open on average 5 days per week</u></p> <p><u>Consider future partnership with Club</u></p>	Set up costs not significant.	<p>Roof repairs required c£100k – but a minimal patch up approach could be applied</p> <p>Possible replacement of bowls carpet. £40k</p> <p>£10k pa prudential borrowing</p>	<p>10k pa revenue sum/Prudential Borrowing to fund the £100k roof repairs and £40k new carpet</p> <p>No losses – opening 2 days less in off peak period</p>	Positive news story and partnership approach to promote.	Voluntary sector may not be willing or able to work as a partner and set up NEWCO/CIC

	<u>Support oversee new arrangement for 12 months</u>			Running costs to be contained with the income.		
		No risk of major costs – building liabilities known.	Council costs would be more than the voluntary sector management.	NNDR £15.5k		
		Immediate savings.	Set up of new agreement will take time and resources.			
		Allows time for DCC to assess business and develop voluntary sector partnership approach				
		staff employed				

Financial Summary

Benefits – potential to generate an operating surplus by adjusting opening hours/days which would also off-set costs of setting up new operating model

Disadvantages – increased rates and set up costs of £10kpa to fund the prudential borrowing of the replacement roof and carpet. (but this will give the facility another 25years lifespan.)

North Wales Bowls Centre - Summary Financial Analysis (1st April Opening – full year costs)			
	Full Year Operation 7 Days a wk	Partial Operation Closed for 2 days a wk in off peak season yr 1	Closure
Set up costs –one off	£10,100k	£10,100k	
Expenditure	£297,549	£ 213,437*	£17,588
Income	£235,000	£204,550	
Profit/(Loss)	(£72,649)	(£18987)	(£17,588)
<i>*Including up to £10k Prudential Borrowing revenue a year to fund a £140k investment in roof and carpet written down over 10 an d20 years</i>			

Property Summary

- Assumes that all mechanical & electrical installations will operate on set up.
- Assumes there are no issues with structures
- Assumes that health and safety items will be prioritised again on associated risk with Corporate Health & Safety guidance
- Work would need to be carried out under health and safety including the upgrade of the fire detection system, minor alterations in the kitchen area and improved DDA access to ensure compliance with legislation

Conclusion – Bowls Centre Option 3 - DCC open and assess business - consider future partnership with Club/CIC; Company Ltd by Guarantee and profit share arrangement- Support oversee new arrangement for 12 months

Recommended (1st Choice Option)

The facility could be operated by DCC

The approach would allow time for a review of the business operation and the development of the voluntary sector partnership approach, whilst at the same time, securing investment for the roof and bowling surface.