

STRATEGIC INVESTMENT GROUP

BUSINESS CASE – CAPITAL INVESTMENT

This Business Case provides justification for undertaking a project. The completed form will be reviewed by the Strategic Investment Group who will make a recommendation to Council whether the bid should be approved and included within the Capital Plan. All sections should be completed and evidence of costs will need to be supplied.

For details of Strategic Investment Group meetings and deadlines for the submission of this form, please contact Richard Humphreys, Capital & Technical Finance Team on ext 6144.

Project Name:	Prestatyn Nova Centre
Project Reference:	
Project Manager:	Sion Goldsmith – Lead Officer Assets & Communities
Workstream:	

Head of Service/Project Sponsor	Jamie Groves – Head of Communications, Marketing & Leisure	Lead member:	Councillor Huw Jones
Service:	Communications, Marketing & Leisure	LM Portfolio:	Tourism, Leisure & Youth
Form completed by:	Sion Goldsmith	Date:	28/04/2014
Service Accountant:	Gareth O Williams	Date:	28/04/2014

PROJECT TYPE

*Please categorise your project type. Mark **one** box only.*

SMALL <input checked="" type="checkbox"/>	MEDIUM <input type="checkbox"/>	LARGE <input type="checkbox"/>
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DECISION SOUGHT FROM SIG:	Approval by SIG to underwrite professional fees / costs of £108,864 to proceed to the detailed design stage for the proposed £3.66 million development of the Prestatyn Nova Centre.
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EXECUTIVE SUMMARY

Highlights the key points in the Business Case to include:-

- What the project will achieve/important benefits
- Estimated costs
- How the project will be funded

Background Information

In November 2013 a condition survey was carried out on the North Wales Bowls Centre, Prestatyn Nova Centre and Rhyl Sun Centre as part of a review of Clwyd Leisure Ltd (CLL).

The condition surveys comprised of the visual assessment of the condition of all exposed and accessible parts of the buildings in order to identify any significant defects or items in need of repair. The reports highlighted a number of urgent issues that would need to be addressed across the portfolio and provided indicative costs for their repair or replacement.

In January 2014, Cabinet considered the findings of this review into Clwyd Leisure Ltd (CLL) and concluded that it was too great a risk for the Council to take over this company. Cabinet also decided to cease funding CLL from 1 April 2014 onwards due to concerns over the quality and level of service provided by them. Following this, they ceased trading in February 2014 and closed their facilities in Rhyl and Prestatyn with immediate effect. An Insolvency Practitioner was appointed to manage the closure and as Landlords, the keys were returned to Denbighshire County Council on the 7th March 2014. The Council has continued to work alongside the Insolvency Practitioner and the buildings remain closed and are now under the management of Communications, Marketing and Leisure (CML)

Over the last 2 months officers from both CML and Finance have thoroughly appraised the operating costs, risks and opportunities of operating these facilities going forward. In March 2014, CML presented a report to Cabinet which included a full options appraisal, financial forecasts and recommendations.

CML recommended to Cabinet that they:

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.

Cabinet agreed to these recommendations.

Prestatyn Nova Centre

The decision not to re – open the Prestatyn Nova Centre was made based upon the information contained in the appraisal / options section of the March Cabinet report. The report also looked at the possibility of opening for the summer season however the analysis demonstrated that re-opening the Nova in the interim, between now and the proposed redevelopment, would come with a significant set up cost. This set up costs would include re-commissioning plant, inspections, health and safety work and urgent repairs. The cost would have been approximately £80,000 and that it would have taken until July to open the facility with these proposed works planned for the Autumn. It was agreed that this was not good value for money.

The Cabinet report also referred to the condition survey carried out in November 2013 which highlighted costs of £456,641 associated with urgent or imminent repairs to the property. These costs did not include mechanical or electrical items. Due to the limited and out-dated offer and condition of the building, operating costs are shown to far exceed likely income resulting in a significant loss (over £208k) for the period to the autumn, when if approved, redevelopment work is expected to start. A full years cost to operate the Nova Centre in its current condition and with its existing offer would be approximately £347,000. The costs highlighted in the condition survey would be addressed via the re-development proposals.

Current Position & Future Development Proposals of Prestatyn Nova Centre

In January 2012, Leisure, Libraries & Community Development appointed Alliance Leisure Services Ltd (ALS) as their development partner for the refurbishment and regeneration of a number of Leisure facilities within Denbighshire.

Under the framework, the development partner can provide a comprehensive package for a range of capital projects up to the value of £15,000,000. The partner provides financing options that would fully fund any proposal without the need of utilising the Authority's capital programme. This is based on the payment of a monthly fixed fee over an agreed period of time made affordable from revenue created by the new facilities.

The development partner manages the project from concept to completion providing feasibility studies and robust business plans identifying and addressing all the costs. The development partner further provides project management services and acts as the principal contractor coordinating the design, construction, commissioning and handover of the completed project.

The £1.3 million pound development of Ruthin Leisure Centre was completed in September 2013 under this partnership approach with the project coming in on time and within budget.

In February 2014 Cabinet approved the development of a business case for the £3.66 million development of Prestatyn Nova Centre which included the appointment of ALS to carry out a feasibility exercise which would form the basis of this business case.

The business case would be based on the following facility mix and include the:

- Reduction of overall footprint of the property by up to 20%
- Retention of the 25m 4 lane swimming pool and small splash pool.
- Creation of a village changing area to serve the swimming pool.
- Creation an improved fitness offer to the same quality delivered at Ruthin Leisure Centre with separate fitness changing.
- Creation of a multi-use space to accommodate current community events and a range of exercise classes / sports clubs.
- Creation of a large soft play facility.
- Creation of a new entrance, reception and café area overlooking the sea
- Creation of two or three promenade side retail units.
- Introduction of energy efficient mechanical / electrical services and re – enveloping of the property in order to reduce carbon footprint.

The proposal does not include development of any of the other public areas in the vicinity of the Nova Centre such as the promenade, coastal defence and landscaped areas. The project will however include areas that have been affected as a result of the partial demolition.

In addition to the improved offer at the Nova Centre, Prestatyn Leisure Centre, located on the grounds of Prestatyn High School would reduce the number of operational hours by approximately 45 - 50 hours per week and operate after school use only. The leisure centre would continue to offer community use of the sportshall, squash courts, all weather pitch, climbing wall and community meeting room in the evenings. This way we would not be duplicating any new offer at Prestatyn Nova Centre and the efficiencies from the reduced operating hours at Prestatyn Leisure Centre would be moved to the Nova Centre operation. This is included in the financial forecast in appendix 3A. This proposed use will also resolve the on – going issues with traffic management and the limited car parking capacity on the school site. By not having the community on site in the school day it will also free up much needed PE facilities previously used by the leisure centre. There is also an opportunity to explore a social enterprise model in partnership with Prestatyn High School whereby students studying for vocational subject such as BTEC Sport or BTEC public Services could assist in the day to day operation of the leisure centre in order to gain valuable experience towards the qualification.

Feasibility Study

Alliance Leisure as part of their feasibility exercise for the development of the Prestatyn Nova commissioned the services of RPT Consulting in order to undertake a study into the opportunities arising from this investment. They evaluated the demographics of the area including the Prestatyn population, the catchment population and the market segments. RPT used the Leisure Database Company (LDB) and we opted for a 7 - 12 minute drive time as the core catchment area which a resulted in a population of between 6,639 (7 minutes) - 22,747 (12 minutes).

The age breakdown is shown on the table below:-

Table 2.1 – Population Age Profile

Key Indicator	7 minute Drivetime	10 minute Drivetime	12 minute Drivetime	Denbighshire CC	Wales
Total Population	6,639	14,306	22,747	93,734	3,063,500
Ages					
0-14	16.4%	17.9%	16.9%	16.8%	16.9%
15-19	5.5%	5.6%	5.5%	6.4%	6.5%
20-44	26.1%	27.1%	26.6%	27.7%	31.6%
45-64	24.4%	24.8%	25.9%	28.0%	26.6%
65-74	13.2%	12.0%	11.7%	11.3%	9.8%
75 & over	14.4%	12.7%	13.2%	9.7%	8.6%

(Source: 2011 Census)

The LDB has estimated the latent demand (desire currently not being satisfied) for improved fitness facilities at Prestatyn Nova Centre to be 1225 members – this is the total number of members they feel the centre could achieve. This does include an allowance of 245 for members who would travel from outside the 12 minute drive time.

The latent demand takes into account the potential level of membership for different groups and factors in existing or potential membership of other competing gyms in the catchment area.

A 12 minute drivetime has also been used to determine the demand for a swimming pool. In order to estimate the number of pools required for the catchment area, RPT Consulting have used Sport England's Sports Facility Calculator. This allows for a particular population to be inputted and assessment of the scale of facilities required for this population to be made. It is based on the profile of users relating to activity from the Active Peoples survey as opposed to specific Welsh data but does give an indication of the scale of demand for Pools, in the absence of any specific Welsh data.

Based on a population of 22,747 there is a demand for 242 square metres of water space within the 12 minute drivetime catchment area. This would suggest that there is the demand for pool space (of circa 242 sqm) equivalent to a 4 lane 25 metre pool which is what the Nova currently has as well as a small splash pool. Although Pontins Holiday Camp, located half a mile away from the Nova Centre does have a swimming pool which is currently open to the public, this has not been included in the analysis as this is a private pool and cannot meet demand particularly during the holiday season when the camp reaches its capacity.

As part of the exercise to identify latent demand, RPT Consulting also considered the other elements of the facility particularly the café and soft play area. They found that although the immediate catchment (7 minute drivetime) does have an older population, particularly 65 years and older there is also higher proportions of the younger age group in the 10 and 12 minute drive time with 0-14 year olds being higher than both the Denbighshire and Wales average. It was felt that this illustrated a strong market for soft play. In addition to a commercial return of the investment, soft play also acts as a 'hook' for children who may not be interested in traditional sports or leisure activities, creating the opportunity for people who wouldn't normally visit leisure facilities to explore what else goes on in the centre. There is also the opportunity to tap into the seasonal market with a number of holiday camps and caravan parks local to the centre.

Although the Nova Centre did not have a soft play area it did operate a restaurant and café which was reasonably popular. Our intentions are to include a café area within the scope of works but further work needs to take place to determine the best operating model for this food and beverage offer. This could be a franchise / long term let, which would be less risk but also less profitable or could be delivered in – house. Currently this business case has provided financial information based on a long term let which would derive an annual rent. This element may be subject to change as options are explored. The full feasibility report is attached in Appendix 1.

A full financial statement by our Finance & Assurance Manager is attached in appendix 2. This provides a financial assessment of the proposals, detailing how this work has been undertaken.

Although the feasibility exercise suggests that there is a latent demand of 1225 for the provision of improved fitness facilities we have discussed this further with our partners and having looked at the number of memberships across our portfolio we feel that it would be more prudent to base our business case on 62% membership of this latent demand in year 1 (equating to 761 members) rising to 908 members by year 5 (74% of the total latent demand figure).

We now need to progress onto the next stage of detailed design. Alliance Leisure Services Ltd up to this point has carried out all this work at risk and the Council have incurred no costs. However, to progress to the next stage of detailed design, the Council will need to underwrite costs of approximately £108,000.

Both Prestatyn Town Council and the Coastal Board have been consulted on these proposals and are happy to support progression to the next stage. The proposals have also been supported by Prestatyn Member Area Group who have been consulted and kept updated throughout the process.

BUSINESS OPTIONS

Analysis and reasoned recommendation for the base business options of: do nothing / do the minimal or do something

Option title:		Do nothing – maintain the existing situation / Do minimum			
Please provide brief details:					
The Prestatyn Nova Centre is currently closed and the building. The property has been secured and processes and procedures have been put in place appropriate to that of a vacant building.					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more		Time	Takes longer to deliver	
	Costs the same			Takes the same to deliver	
	Costs less	X		Is quicker to deliver	X
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	X		Worsens benefits	X
What is the main reason this option has not been selected?					
<p>With this option of remaining closed there would be no set up costs estimated at approximately £80,000 and no NET loss estimated between £208,000 and £347,000 depending on which operating model would be adopted. The previous Nova Centre business model was not financially sustainable. This option has not been selected for a number of reasons:-</p> <ul style="list-style-type: none"> • The building will continue to deteriorate and become a health and safety issue • The costs of demolition are approximately £1,000,000 with no funding available for this • The on – going costs associated with this property would be approximately £71,000 per year taking account of NNDR, insurance, utilities standing charges and security inspections • There is a reputational risk to the Council for failing to open this facility as well as negative impact on Prestatyn • There would be no impact on local employment. Re – opening the centre after the refurbishment would create the equivalent of 14.1 full time staff members. If it did not open this opportunity to create employment would be lost. • There would be no business benefits to other operators on this stretch of the coast who would have the opportunity to tap into the increased footfall in the area created by this attraction. • There would be no opportunity to develop small businesses in the proposed promenade retail units which again could lead to increased employment. 					
Option title:		Re – open Prestatyn Nova Centre in current condition.			
Please provide brief details:					
Re – open Prestatyn Nova Centre in its current condition without making any improvements to the property with the exception of re – commissioning plant and carrying out urgent works associated with health and safety and fire risk assessments.					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more	X	Time	Takes longer to deliver	
	Costs the same			Takes the same to deliver	
	Costs less			Is quicker to deliver	X
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	X		Worsens benefits	X
What is the main reason this option has not been selected?					
If the Prestatyn Nova Centre was to open in its current form. A full year operation would result in a NET loss of £347,650. This would also only take into account set up costs of approximately £80,000 which					

would only cover re-commissioning of plant, urgent works to flat roofs and health and safety issues. It does not include any improvements to the property or additional attractions. The condition survey identified costs of £456,541 excluding any mechanical and electrical items. There would be considerable on – going repair and maintenance of this property to raise it to an acceptable standard. The leisure offer would not be improved and in these circumstances further consideration would need to be given to an alternative interim management model which could include: limited opening hours; extended swimming lesson programme limiting public swimming sessions; a managed food & beverage offer (if an operator can be found) and relocation of the fitness offer from Prestatyn Leisure Centre which has a much more modern and fit for purpose facilities.

EXPECTED BENEFITS

The benefits that the project will deliver expressed in measurable terms against the situation as it exists prior to the project

The development proposals will bring a range of additional attractions including new changing areas associated with the swimming pool, a new fitness suite, a café with views overlooking the coast, a new modern fitness suite with associated changing and a large soft play area. The development will also enhance the external look of the property which currently looks run down and has no ‘kerbside’ appeal.

The development may also be a catalyst for regeneration of this area with an offer that will attract locals and tourists to the Prestatyn coast. It will increase footfall in this area benefiting other businesses and employment prospects. This Nova Centre development alone will result in the equivalent of 14 full time posts being created without considering further employment opportunities from the creation of the three promenade retail units and increase in footfall for other businesses in the area.

The project will also revive a building that is currently closed and unoccupied and in the future will pose a significant health and safety risk as well as having a negative impact on coastal tourism.

EXPECTED DIS-BENEFITS

Outcomes perceived as negative by one or more stakeholders

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TIMESCALE

Over which the project will run (summary of the Project Plan) and the period over which the benefits will be realised

Date	Milestone
February 2014	Paper & presentation to Cabinet for approval to appoint Alliance Leisure Services Ltd to carry out feasibility exercise on the Prestatyn Nova Centre.
February – May 2014	Alliance Leisure – commence feasibility exercise.
May 2014	Presentation & report to Strategic Investment Group for approval to progress to next stage where design and development fees will need to be underwritten for detailed design.
May 2014	Cabinet approval to progress to the next stage of development and approve costs associated with detailed design.
June 2014 – September 2014	Detailed design stage
September 2014	SIG approval to proceed with full scheme. Submission of planning applications & preparation for Cabinet / Full Council
October 2014	Presentation to Full Council / Cabinet

CAPITAL COSTS – BUSINESS DEVELOPMENT PROJECTS

**COMPLETE ALL THREE TABLES BELOW FOR BUSINESS DEVELOPMENT PROJECTS
LEAVE BLANK/DELETE SECTION FOR CONSTRUCTION PROJECTS**

The capital cost of a project is an important consideration in terms of whether or not it should proceed. Note that even some Business Development Projects may have a requirement for capital costs, for example to fund the acquisition of new ICT hardware or undertaking alterations to buildings.

- Any costs relating to ICT infrastructure and equipment should have been provided by ICT department.
- Any costs that relate to construction should have been provided by Design & Development or Building Services.

Please provide details of any capital funding that has already been spent on the project:	
Enter details of cost element below:	Total
Feasibility (surveys, market research, etc)	
Client side project management	
OTHER (please enter)	
OTHER (please enter)	
TOTAL	

Please provide details of the capital funding requirement (not including amount already spent):				
Enter details of cost element below:	2014/15	2015/16	Future Years	All Years Total
Feasibility (surveys, market research, etc)				
Client side project management				
ICT infrastructure and hardware				
Building alterations				
Design Team Fees (architects, QS, etc)				
Furniture				
Other professional support (legal, etc)				
Marketing/Consultation				
External Project Support (gateway review, etc)				
OTHER (please enter)				
OTHER (please enter)				
OTHER (please enter)				
OTHER (please enter)				
TOTAL				

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2014/15	2015/16	Future Years	TOTAL
TOTAL					

NOTE: For funding status, please only use the following categories:

Approved –written approval for the funding exists

Applied – no written approval exists but an application has been made

Approached – initial approach to or by funding body has been made but no application submitted

None – no contact or approach has been made to or by the funding body

CAPITAL COSTS – CONSTRUCTION PROJECTS

COMPLETE ALL THREE TABLES BELOW FOR CONSTRUCTION PROJECTS
LEAVE BLANK/DELETE SECTION FOR BUSINESS DEVELOPMENT PROJECTS

The capital cost of a project is an important consideration in terms of whether or not it should proceed.

- Any costs relating to ICT infrastructure and equipment should have been provided by ICT department.
- Any costs that relate to construction should have been provided by Design & Development or Building Services.

Please provide details of any capital funding that has already been spent on the project:	
Enter details of cost element below:	Total
Feasibility (surveys, market research) – ALL WORK CARRIED OUT AT ALS RISK	£0
Client side project management	
OTHER (please enter)	
OTHER (please enter)	
TOTAL	£0

Please provide details of the capital funding requirement (not including amount already spent):				
Enter details of cost element below:	2014/15	2015/16	Future Years	All Years Total
Feasibility (surveys, market research, etc)	£108,864			
Client side project management				
Land/property acquisition				
Land preparation/remediation				
Demolition and/or site security				
Construction, refurbishment or maintenance				
BREEAM rating of "Excellent"				
Security measures (CCTV, door entry, etc)				
Fire prevention measures (sprinklers, etc)				
External landscaping and other works				
Land/property acquisition				
Highways work				
ICT infrastructure and hardware				
Fixtures & fittings				
Furniture				
Planning/Building Regulation Costs				
Design Team Fees (architects, QS, etc)	£78,000.00			
Legal Costs and Fees				
Marketing/Consultation				
External Project Support (eg gateway review)				
Construction Technical Services - Design	£19,564.80			
Sundry Items: Asbestos Survey, Ground Investigation, Drainage Survey, Property Management Consultants for Project Management.	£11,100.00			
TOTAL	£108,664.80			

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2014/15	2015/16	Future Years	TOTAL
SIG	Applied	£108,864			£108,864
TOTAL		£108,864			£108,864

REVENUE COST IMPACT

TO BE COMPLETED FOR ALL PROJECTS

In considering whether a project should be developed due regard should be made to the potential impact on revenue budgets.

If the activity will result in a requirement for additional revenue funding, please provide details below:			
What is the impact of this project in terms of the <u>annual</u> revenue requirement for:	Existing Revenue Budget	Post-project Revenue Budget	Increase/Decrease
staff costs (salaries and associated)	N/A		
energy costs (heating, lighting, ICT, etc)	N/A		
property maintenance and servicing costs	N/A		
other property related costs (rental, insurance, etc)	N/A		
ongoing ICT costs (licences, etc)	N/A		
mileage of Denbighshire fleet vehicles	N/A		
mileage for business travel by Denbighshire employees using their personal vehicles	N/A		
OTHER (please enter)	N/A		
OTHER (please enter)	N/A		
OVERALL REVENUE REQUIREMENT	N/A		

Please provide brief details of the revenue impact of this project:

- *Where revenue savings are forecast, you should detail what is proposed for the saving (e.g. reduction of an existing revenue budget, re-allocation of revenue to alternative services area, etc)*
- *Where revenue increases are forecast, you should provide details of how the revenue shortfall will be addressed. In this instance you should also append a three year surplus/deficit forecast.*
- *Details of any one-off revenue cost requirements that may be required post-project implementation (e.g. recruitment, redundancies, etc). DO NOT include any costs detailed in the capital section of this Business Case*

Please see Appendix 3A for the 5 year financial forecast, Appendix 3B for a comparison against a forecast provided by RPT Consulting and Appendix 3C for a financial narrative detailing income and expenditure budget lines.

STATUTORY REQUIREMENTS / HEALTH & SAFETY

This section should identify how the activity will help Denbighshire meet any of its statutory requirements. Please include any Health & Safety Issues that the activity will address in this section. Please leave blank if not applicable.

This project will help meet the Management of Health & Safety at Work regulations 1999, Health & Safety at Work Act 1974, Workplace (Health, Safety & Welfare) Regulations 1992. The project will help mitigate the possible permanent closure of the building and the resultant service provision issues. The Authority remains at risk until these works are completed.

CARBON MANAGEMENT IMPACT

Please consult with Denbighshire's Climate Change Officer before completing this section.

Denbighshire has committed to reducing its carbon emissions by 33% by 2020. The Business Case requires you to make a forecast for the anticipated carbon emissions impact of the project. Please mark a cross in the appropriate box.

Forecasts:	Annual (current)	Carbon Equivalent	Annual (Post Project)	Carbon Equivalent	Carbon Variance
Energy consumption: (UNIT = kWh)					
Mileage of Denbighshire Fleet vehicles: (UNIT = miles travelled)					
Tonnes of waste produced going to landfill: (UNIT = tonnes)	*				
Tonnes of waste produced being recycled: (UNIT = tonnes)	*				
Mileage of Business Travel (personal vehicles): (UNIT = miles travelled)					
TOTAL CARBON EMISSIONS					

Please provide brief details of the carbon impact of this project, and detail specific actions that will be taken to reduce carbon emissions. If carbon emissions are expected to increase as a result of this project, please provide details of proposed actions to compensate for this increase in other areas of the Service's activity.

This is unknown at this point. More details for this will be provided after the detailed design stage. However, the footprint of the existing building will be reduced by approximately 20% and any new mechanical / electrical installations will be more energy efficient. The building envelope will also be re – clad according to Part L of building regulations which will improve the efficiency of the building.

BIODIVERSITY IMPACT

Please consult with Denbighshire's Biodiversity Officer before completing this section:

kate.taylor@denbighshire.gov.uk

The Council has a statutory duty to ensure compliance and enforcement of the habitats regulations (as amended in 2007) and the NERC Biodiversity Duty (2006). At this pre-feasibility stage, what is the anticipated impact on biodiversity of the project. Please mark a cross in the appropriate box.

Will this project impact on a habitat that supports living organisms (plant or animal)?	Yes		No	X
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If you have answered yes to the above question, please complete all the following biodiversity sections. If answered no please leave blank

THREATENED/PROTECTED SPECIES Will this project impact on any protected or threatened species as defined in Denbighshire's Local Biodiversity Action Plan (LBAP)?	Yes		No	X
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ALL SPECIES (including threatened/protected) Forecasts:	Current number	Post-project number	Variance (+/-)
Number of plant species present:			
Number of animal species present:			
TOTAL NUMBER OF SPECIES PRESENT			

Please provide brief details of the action you will be taking in association with this project to protect or enhance biodiversity. Specific reference should be made to the mitigation strategy if the project impacts on any protected or threatened species as defined in Denbighshire's Local Biodiversity Action Plan (LBAP).

<p>Any necessary survey will be carried out before works commences. The Service will work closely with Denbighshire's Biodiversity Officer.</p>

MAJOR RISKS TO THE PROJECT

A summary of the key risks associated with the project together with the likely impact and plans should they occur (*Please also add to your project risk register*)

Key Risk	Likely Impact	Mitigating Action
Failure to secure funding to progress to the detailed design stage of development.	We will not be able to progress the £3.66 million development of the Prestatyn Nova Centre and the facility will remain closed with on – going revenue costs associated with the security of the property, NNDR, insurance etc Reputational risk to the Council if the Nova Centre does not re – open.	Secure funding.
Failure to secure funding. Re – open Prestatyn Nova Centre in its current condition.	A full year operation would result in a NET loss of £347,650. It does not include any improvements to the property or additional attractions but does include set up costs to re – commission plant etc. The condition survey identified costs of £456,541 excluding any mechanical and electrical items on the existing property.	Seek Cabinet decision to permanently close the Nova Centre if funding is not approved. Demolition costs are in the order of £1 million.

SUPPORTING INFORMATION

Please list any supporting documents that accompany this Business Case

Appendix 1 – RPT Consulting – Prestatyn Nova Feasibility Report – April 2014 Appendix 2 – Financial Statement by Finance & Assurance Manager Appendix 3A – DCC 5 year financial forecast Appendix 3B – 5 year financial forecast comparison with RPT Consulting Appendix 3C - Financial narrative detailing income and expenditure budget lines.
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VERIFICATION:

Project Manager:	Sion Goldsmith – Lead Officer Assets & Community Development		
Project Sponsor:	Jamie Groves		
Name:	Jamie Groves	Position:	Head of Communications, Marketing & Leisure
Signature:	<i>Insert electronic signature</i>	Date:	07/05/2014

For use by Finance:

Result of S.I.G. Review	
Date of Meeting	
Approval	
Code	



[Appendix 1](#)

PRESTATYN NOVA – FEASIBILITY STUDY

A

REPORT

BY



APRIL 2014

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- Appendix B – Market Segmentation
- Appendix C – Latent Demand
- Appendix D – Revenue Projections

SECTION 1 – INTRODUCTION AND BACKGROUND

Introduction

- 1.1 Alliance Leisure (ALS) and Denbighshire County Council (DCC) have commissioned RPT Consulting to undertake a feasibility study on the redevelopment options for Prestatyn Nova Leisure Centre (PNLC).
- 1.2 The PNLC was operated until February 2014 by Clwyd Leisure Ltd (CLL). However due to a number of factors including condition surveys, quality and level of service, and funding withdrawal CLL ceased trading and closed its facilities. An insolvency practitioner returned the keys to DCC as landlord who has taken the decision to keep PNLC closed pending redevelopment proposals by ALS.
- 1.3 ALS has presented a series of development options for the PNLC which include the following
 - Option 1 – Partial refurbishment – circa £3.66 million cost
 - Option 2 – Demolish and New Build – circa £5.96 million
 - Option 3 – Partial Demolition and Refurbishment – circa £3.66 million
- 1.4 DCC expressed a preference for Option 3 and in particular to seek to deliver from the facilities the following key areas.
 - Retain the 25m 4 lane pool
 - Retain a small splash pool
 - Create nice village changing
 - Create a good quality gym (as they have at Ruthin)
 - Fitness changing
 - Maximise a multi-use space to accommodate current community events (such as tea dances, lunches, parties etc.) and also use it for exercise classes/ martial arts etc.
 - Create a large soft play facility
 - Create a new entrance into the site which will have a café and views out to the sea
- 1.5 Following on from the options presented by ALS further work has been undertaken to prepare initial concept drawings further developing Option 3 above. This includes the following facility mix
 - 25 metre pool
 - Splash pool
 - New fitness gym & associated changing
 - Multi-use space
 - Soft Play
 - Café area overlooking the sea
 - External area between the Nova centre and Tourist information building
 - Creation of two /three promenade side retail units

It is anticipated that the current Prestatyn Leisure Centre would reduce its operational hours and open outside of school hours continuing to offer community use for sport (sports hall; squash; all weather pitch; climbing; meeting rooms) but its

SECTION 1 – INTRODUCTION AND BACKGROUND

health and fitness offer would be relocated as part of the improved offer at the new PNLC.

1.6 The feasibility will consider this option and also identify if there are any further opportunities. In particular the feasibility study will identify:

- Demand and Supply analysis of the catchment to identify the need for the proposed facilities
- Future revenue projections to identify the costs of the facilities
- Identification of affordability taking into account the capital available and future rental requirements

1.7 The feasibility study has been undertaken in partnership with DCC and in particular the future revenue projections have been scrutinised by DCC's financial team.

1.8 We have also set out our key recommendations as to the way forward in the report.

Introduction

2.1 Within this section we seek to identify the potential demand for the facilities and how they fit within the current strategic context for Denbighshire and the wider region. We approach this by

- reviewing strategic documents which set the framework within which PNLC sits
- identifying an overview of the current market and catchment
- review the demand for key facilities through comparing existing provision in the market

Strategic Context

2.2 A key part of the brief from the Council is that whilst the Council faces increasing financial pressures, there is still a strong commitment for the delivery of high quality leisure provision by the Council. The service and quality of the future provision is therefore an essential part of the assessment for each of the development options.

2.3 In considering the outcomes the Council require from the delivery of its leisure facilities, it is important that the strategic context is set out to enable us to understand the framework within which the service is operating.

2.4 It should also be recognised that there are a number of different organisations and strategies at a national, regional and local level which impact on the facility, including

- Climb Higher – Creating an Active Wales
- A Vision for Sport in Wales (Sport Wales)
- Turning the tide of inactivity
- Start Active, Stay Active
- The BIG plan – which includes the community strategy, health social care and wellbeing strategy, children and young people plan, community safety plan for Denbighshire

2.5 We summarise the key outcomes and approach of the strategic documents within Appendix A. Of particular relevance however to DCC is the BIG plan which seeks to want people to:

- Be healthy and have a sense of wellbeing
- Live in a safe place
- Be able to afford to meet their needs
- Live in Denbighshire because it's a great place to live, work and learn

2.6 The DCC Leisure Strategy seeks to deliver on the Big Plan through its leisure vision “By 2020 Denbighshire will be renowned for high quality, accessible leisure opportunities attracting high levels of participation and improving the wellbeing of its residents and visitors.” It seeks to deliver this vision by:

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- Increasing the number of people participating in a range of leisure opportunities
- Increasing the number of people involved in helping to deliver leisure opportunities
- Increasing the profile and importance of leisure for all

2.7 The development of PNLIC supports 'The BIG Plan' and 'The DCC Leisure Strategy' and will help achieve its desired outcomes of:

- Working in partnership to plan and deliver
- Providing accessible high quality settings for leisure
- Increasing the skills and resources to deliver
- Ensuring focus on supporting key target groups

Catchment Overview

2.8 DCC has a total population of circa 93,734 people (2011 Census) which is summarised by age breakdown in the table below, comparing it with Wales as a whole, and with the age breakdown for the more immediate drivetimes.

Table 2.1 – Population Age Profile

Key Indicator	7 minute Drivetime	10 minute Drivetime	12 minute Drivetime	Denbighshire CC	Wales
Total Population	6,639	14,306	22,747	93,734	3,063,500
Ages					
0-14	16.4%	17.9%	16.9%	16.8%	16.9%
15-19	5.5%	5.6%	5.5%	6.4%	6.5%
20-44	26.1%	27.1%	26.6%	27.7%	31.6%
45-64	24.4%	24.8%	25.9%	28.0%	26.6%
65-74	13.2%	12.0%	11.7%	11.3%	9.8%
75 & over	14.4%	12.7%	13.2%	9.7%	8.6%

(Source: 2011 Census)

2.9 Overall the population profile of the drivetimes are similar to that of Denbighshire generally, however Denbighshire does illustrate an older population than Wales as a whole.

2.10 Of particular interest the table demonstrates:

- A higher proportion of the older population, particularly in the 65 years plus and older category. This would support the need to retain community space for groups and informs that when developing programmes and future marketing opportunities, consideration of activities for older people will be important.

SECTION 2 – DEMAND ANALYSIS

- A higher proportion of the younger age group in the 10 and 12 minute drive time with 0-14 year olds being higher than both Denbighshire and Wales, illustrating support for soft play and retention of the pool.

Market Segmentation

2.11 The Sports Council of Wales (SCW) have identified a number of market segments that categorise the market into different profiles, which implies how the segments will participate in sport and leisure activities and physical activity.

2.12 We summarise the breakdown of the population in Denbighshire, by market segmentation, compared to other authorities in North Wales and overall in the table overleaf.

Table 2.2 – Market Segmentation in Wales and Denbighshire

	% of population							
	Wales	North Wales	Isle of Anglesey	Conwy	Denbighshire	Flintshire	Gwynedd	Wrexham
Rhys	3.3	3.4	3.9	3.5	3.6	2.8	4.4	2.5
Gav	4.3	3.5	2.5	2.9	3.4	3.8	3.0	4.9
Lisa	12.9	10.6	7.5	8.6	9.4	13.5	7.6	14.2
Siân	8.2	10.4	12.2	10.4	11.8	9.1	13.0	7.7
Mark	6.8	6.3	4.2	6.4	6.9	8.0	4.8	6.5
Steve	10.1	8.2	6.2	7.1	6.8	10.0	6.0	11.1
Huw	3.7	4.9	6.0	5.0	4.6	3.6	7.6	3.5
Christine	12.1	9.8	7.4	8.8	8.8	12.4	7.1	12.1
John & Ann	12.3	17.3	22.9	20.5	18.6	12.1	23.1	11.1
Tony	9.7	7.2	7.1	5.1	5.6	8.6	5.4	10.5
Bob & Betty	8.2	11.5	13.5	16.2	15.1	7.9	12.7	6.6
Dot	8.7	6.9	6.5	5.5	5.4	8.3	5.3	9.4

2.13 Appendix B presents a summary of the profile for each of the Market segmentations identified above. Denbighshire has a higher than normal proportion of the following segmentation types in comparison to the rest of North Wales and Wales overall:

- Sian – 18-45 years old, middle management, aspiring middle class
- John & Ann – 46-65 years old, married, likely to participate in sport and recreation
- Bob & Betty – over 66 years old, retired, comfortable, live modestly and are active

SECTION 2 – DEMAND ANALYSIS

Conversely there are a lower proportion of the following types:

- Steve – 26-45 young family, reasonable participation
- Christine – 36-55 years, low income, part time, lower participation
- Tony – 46-65 years old, manual skilled, low income, not very active

2.14 The market segmentation presents an overview of a population that has a higher proportion of people likely to be more active (despite the older age profile), which supports the fitness expansion and requirement of flexible space to support a strong group exercise programme.

2.15 The use of market segmentation is important in considering marketing strategies and the development of new facilities. For example the current profile within Denbighshire suggests higher proportions of groups which are likely to be more active.

2.16 However in order to attract participation from other groups it is important to design facilities that remove barriers to entry to ensure the provision of facilities encourages and supports all potential customers. This would suggest that the provision of facilities which encourage or support use through effective pricing, accessible fitness for deconditioned (such as toning), enhancement of National Exercise Referral Scheme (NERS), would support the more broadly active population.

2.17 The design of the facilities should also ensure a welcoming environment which provides equipment that is easy to use and enables use by low levels of fitness. These facilities can be supported by social areas (such as café) to encourage a social and supportive network for people to participate together, as well as a welcoming reception and attractive entrance.

2.18 We now consider over subsequent paragraphs the demand for some of the key facilities, namely health and fitness; play, catering and swimming.

Health and Fitness Latent Demand

2.19 Following our discussions with ALS and DCC, we have been provided with a latent demand study undertaken by The Leisure Database Company (LDB) for the redeveloped PNLC. The latent demand takes into account the potential level of membership for different mosaic groups and factors in existing or potential membership of other competing gyms in the catchment area.

2.20 Prestatyn is situated 3 miles along the coast from Rhyl. It has a population of just over 19,000 and just over 24,000 within a 10 minute drivetime of the PNLC. The 10 minute drive takes you along the Rhyl Coast Road and just into Rhyl itself, although much of the population in that part of the catchment is likely to be seasonal.

2.21 10 minutes from PNLC southwards takes you towards Dyserth, and more significantly, to the east near Gronant and Gwespyr, areas which have no current provision at all.

SECTION 2 – DEMAND ANALYSIS

- 2.22 Prestatyn remains a slightly unfashionable area, with an ageing population in keeping with many seaside resorts. Of this older segment 'Group B' {Professional Rewards} makes up 9.6% of the total, (well above average) and are fairly affluent & retired. In direct contrast however, 'Group E' (Active Retirement) makes up more than 22% of the population, which is nearly six times the national average for Wales as a whole. A large proportion of these (such as type E21 – Bungalow Quietude) are the kind of older retired couples who draw modest pensions and for whom the gym-going experience may have passed by. However the largest single segment is 'Group D (Small Town Diversity), they are not as affluent and are the bedrock of the local community and are an important target market.
- 2.23 The seasonal market in Prestatyn is substantial due to the caravan park operations which line the coast road. This tourist market will support casual swim income, play income and catering. Additional health and fitness take up is likely to be restricted.
- 2.24 There is competition in the Rhyl / Prestatyn area; however with the health & fitness provision at PLC due to relocate to the newly refurbished PNLC the latent demand supports a potential membership of over 1200.
- 2.25 LDB have estimated the total demand for a refurbished gym offering at PNLC to be 1,225. This is the total number of members that could be achieved, and includes allowance for 20% of the membership to come from outside the 10 minute drive time. This projection clearly exceeds the current membership at PLC and the membership that was at PNLC but reflects the 'wow' factor which such investment would bring. It also takes into account that the centre might enjoy a slightly wider catchment area until planned facilities in Rhyl come on line.
- 2.26 Health and fitness provision as well as providing a revenue stream from community use and membership would also enable the Council to organise its sports performance programmes through the effective design of the facility so it could be used by the local community.
- 2.27 Based on a market benchmark of 21- 25 members per station, a gym with circa 50 stations, which has been proposed would cater for the potential demand of 1225 members.

Swimming Pool Demand

- 2.28 We have undertaken a demand analysis for swimming pool provision based on a drivetime catchment population of 12 minutes.
- 2.29 We have reviewed the existing public provision through active places and have not identified any competing swimming provision within the 12 minute drivetime, although there is casual swimming provision at one of the holiday parks. This park has however had to restrict community access now the tourist season has commenced in order to be able to service its own customers.
- 2.30 In order to estimate the number of pools required for the catchment area the Sport England's Sports Facility Calculator has been used. Whilst it is recognised that this has been developed for England, it allows for a particular population to be inputted and assessment of the scale of facilities required for this population to be made. It

SECTION 2 – DEMAND ANALYSIS

is based on the profile of users relating to activity from the Active Peoples survey as opposed to specific Welsh data but does give an indication of the scale of demand for Pools, in the absence of any specific Welsh data.

- 2.31 Based on this matrix and on a population of 22,747 there is a demand for 242 square metres of water space within the 12 minute drivetime catchment area.
- 2.32 This would suggest that there is the demand for pool space (of circa 242 sqm) to be factored in the PNLC facilities, whether refurbishment or new build. This is equivalent to a 4 lane 25 metre pool

Soft Play

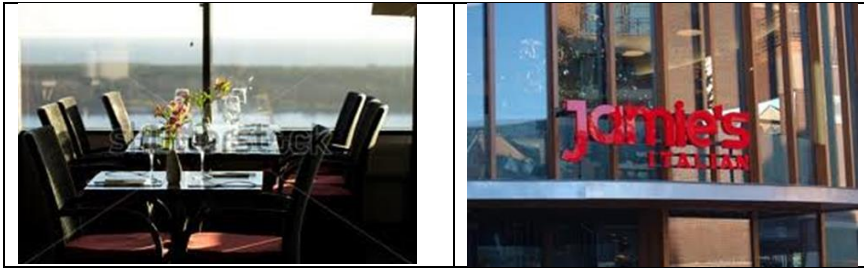
- 2.33 Soft Play can be a good fit within leisure facilities and there are a number of examples of good soft play provision in public sector leisure. In addition to a commercial return on the investment, soft play acts as an attraction for children who may not be interested in traditional sports or leisure activities, thus creating opportunity for people who wouldn't normally visit leisure facilities.
- 2.34 A critical success factor for soft play facilities is the visibility and profile of the facility, together with its location. Good catering facilities, a relaxed seating area for parents as well as provision to host children's parties are essential to maximise the revenue potential of these facilities.
- 2.35 The immediate catchment population has higher proportion of under 14 year olds and is therefore a good fit with this market. With little direct competition the development of a soft play facility should offer the local population a new local leisure activity.
- 2.36 The PNLC was actively used in the summer season by tourists. Whilst the newly refurbished PNLC will not offer water flumes the provision of a large play centre should still be able to attract this market.

Catering Facilities

- 2.37 The old PNLC provided a restaurant and pub offer which whilst attached to the main centre was located on the promenade in close proximity to the sea. Options have been explored to:
- Retain & develop a restaurant offer
 - Create a café style operation
- 2.38 Any restaurant offer needs to fit with the overall offer in the market and will also need to be relatively unique or offer something which will attract people to the facility as it is not in the mainstream restaurant area. This offer should seek to be different and could:
- Make use of the seaside views (as illustrated)

SECTION 2 – DEMAND ANALYSIS

- Use a brand (such as Jamie's or Rick Stein) or a good local provider
- Develop a reputation for good food through a local provider



It should however be recognised that this approach is a potentially high risk strategy as it is not the Council's core business and may not fit particularly well with the leisure offer. There is a significant risk that the offer will not work and may only work as a seasonal facility.

2.39 A café offer which would serve the centre customer base and support the play provision would be a potentially better model and a lower risk strategy. Many leisure centre providers are now providing good quality café offers which are increasing secondary spend and dwell time. Careful consideration to the design and location of the café is essential as there is the potential to attract 'beach' traffic.

2.40 We would recommend that soft play is considered and a good quality café offer but we would urge caution over developing a restaurant offer as it is highly risky and does not fit with the overall leisure offer.

Summary

2.41 Our review of the potential demand for facilities suggests that

- There is demand for a 50 station fitness facility which would support the latent demand of a 1225 health & fitness membership.
- There is a demand for swimming facilities from the community, and the pool should focus on traditional provision with some leisure programming for the holiday season.
- Provision for multi-use space will allow a group exercise programme, continued community use and function ability.
- The addition of a large play structure will complement the overall centre activity mix.
- A good quality café offer will complement the overall offer, should provide a commercial return and provide a social and community hub.
- The aquatic centre planned for Rhyl will have water slide provision, therefore indoor dry play will compliment this facility as opposed to compete.
- DCC has also explored the potential to offer a number of concession units to be located on the promenade which would generate a ground rent per annum as provided on the sea front at Rhyl.

SECTION 2 – DEMAND ANALYSIS

2.42 The catchment area and population for PNLC has a higher proportion of older people who are active and also a high number of children and as a result any facility development should ensure that programmes, pricing and membership is developed to reflect this approach.

SECTION 3 – FINANCIAL PROJECTIONS

Introduction

We present in this section the revenue projections for the preferred option as set out in the introduction and supported by the demand analysis. We illustrate below a concept layout for the refurbished facilities:

Figure 1 – Proposed Redevelopment Layout



3.1 The design presented above includes the following core facilities:

- 25 metre pool with splash area in the pool hall and refurbished changing
- New gym and dance studios (2)
- Soft play area
- New reception and café area
- New changing provision for both the pool and health & fitness

3.2 There are a number of key benefits which arise from the preferred option including:

- Creation of an external area between the PNLC and Tourist Information Centre to create a quality public realm
- Rationalisation of circulation throughout the building
- Increased use of façade glazing to add natural lighting into the building
- Reconnection to the sea by use of a glazed café façade

SECTION 3 – FINANCIAL PROJECTIONS

- Locating main activity spaces near external glazed external walls allowing the building to ‘advertise’ and showcase its functions to the public, bringing the building to ‘life’.

3.3 We have factored these benefits into the revenue projections and have taken an overall approach which seeks to build on the current operation of Denbighshire Leisure and also bring best market practice to develop robust revenue projections. The RPT business model has then been aligned with the DCC reporting process for ease of comparison.

Revenue Projections

3.4 Appendix D presents five year revenue projections for the option presented above and we summarise in the table below the future revenue projections, together with the costs of capital finance and how the future projections compare against the existing DCC budget for the Centre.

Table 3.1 – Revenue Summary

£'000's	Year 1	Year 2	Year 3	Year 4	Year 5
Income	724	883	930	958	982
Expenditure	651	660	670	680	690
Operating Surplus/(Deficit)	74	224	260	278	293
Capital Financing Costs	256	256	256	256	256
Net Surplus/ (Deficit)	(182)	(33)	4	22	36
DCC Budget	172	135	135	135	135
Net Surplus/(Deficit) vs DCC Budget	(11)	102	138	157	171

- 3.5 In a mature year (Year 4) the PNLC is projected to operate at an operating surplus of circa £278,000, with an operating surplus of circa £74,000 in Year 1, to allow for the new facility to become established. After financing costs these figures reduce to a surplus of £22,000 (Year 4) and a deficit of £182,000 (Year 1).
- 3.6 If the surplus and deficit after financing costs are compared to the existing DCC budget then there is a surplus of £157,000 (Year 4) and a deficit of £11,000 (Year 1) but by Year 2 the project is showing a surplus against the existing DCC budget.
- 3.7 It should be noted that these projections have been developed in partnership with DCC and they have been scrutinised by DCC's financial team. The expenditure is based on DCC expenditure and the income projections are considered conservative due to:
- Only 78% of the latent demand being achieved for health and fitness
 - The catering income being minimal due to (for the purposes of the feasibility) the service being franchised out to an external private operator. If the service is run in-house there is the potential to generate significantly more revenue.

SECTION 3 – FINANCIAL PROJECTIONS

3.8 These projections are based on a number of assumptions as set out below

- The projections have been developed based on market positions for the operation of the facilities, whilst taking into account local conditions, including pricing and usage of existing facilities. It also assumes that the operation will follow commercial principles and procedures and sales processes are put in place to achieve the revenue projections
- We have also factored into the projections the tourism factor and increased usage expectations for the influx of tourists in the summer months – this is particularly relevant for the soft play and swimming.
- The fitness projections are based on projecting circa 960 members as opposed to the 1,225 projected from the latent demand, being achieved by Year 3. We have factored a build-up of membership from year 1 to reflect a new operation. There may however be the potential to deliver an improved year 1 position if an effective pre sales approach is taken.
- It is assumed that the café operation will be franchised to a private operator and therefore a rental stream for this service has been provided.
- Soft play has been assumed to reflect a maximum capacity of 60 users at any one time and includes a seasonal factor to reflect the influx of tourists in the summer months.
- The two studios have been incorporated principally for exercise classes but also room hire of these facilities has been factored in to reflect hire for functions.
- Staffing costs have been provided by Denbighshire Leisure which is broadly in line with what we would expect from a market position and as such we have used these costs. However these costs provided exclude catering staff. We have incorporated the catering staff costs (and income) in the revenue projections.
- It should be noted that the staffing costs presented exclude any senior management input and time, but we understand that this is identified separately within Denbighshire Leisure costs.
- Business rates are based on the rateable valuation of the existing building – this may be reduced if the new building is a smaller footprint.
- Life cycle costs are excluded from the projections.

Sensitivity Analysis

3.9 We have also undertaken a sensitivity analysis in relation to the revenue projections which is set out in the table below for year 1 and also a mature year (year 5), based

SECTION 3 – FINANCIAL PROJECTIONS

on the surplus or deficit against the existing DCC budget. This includes the finance costs of funding the investment.

Table 3.2

Scenario	Net Surplus/ (Deficit) (£'000's)	
	Year 1	Year 5
Base Scenario	(11)	171
5% reduced income	(46)	122
5% increased expenditure	(58)	122
5% increased income	27	222
5% reduced expenditure	36	220
Increased £1,000 income per health and fitness station	49	220
Reduced £1,000 income per health and fitness station	(71)	111

3.10 We have presented a range of scenarios in the table above and it can be seen that in all the scenarios a surplus is still delivered in a mature year (Year 5).

3.11 DCC have provided RPT Consulting with their projections which are more conservative, due to :

- A lower health & fitness base
- Lower play projections

3.12 This however still demonstrates a positive revenue performance from year 2 onwards, when compared against the existing DCC budget:

Table 3.3 – Revenue Summary

£'000's	Year 1	Year 2	Year 3	Year 4	Year 5
RPT Net Surplus/ (Deficit)	(11)	101	138	156	171
DCC Net Surplus / (Deficit)	(40)	22	40	45	51

NB: Inclusive of finance costs

Summary

3.13 We have illustrated through the revenue projections that there is the potential to deliver a significant surplus at the PNLC based on a range of assumptions.

Demand Based Mix of Facilities

- 4.1 Our demand analysis of the local catchment has identified that the proposed facility mix presented as the preferred option is broadly in line with the demand analysis including.
- There is demand for a 50 station fitness facility which would deliver a membership of circa 1,225 as illustrated from the latent demand
 - There is a demand for swimming facilities from the community, and the facility should focused on traditional facilities with some leisure facilities
 - Additional ancillary facilities such as soft play and a café would add value and commercial revenue to the overall mix and attractiveness of the facility.
- 4.2 The proposed design also realigns the entrance and creates visual facilities with glass facades bringing views into the café from the sea and into other facilities into play. Thus creating a 'shop window' for the facilities inside.

Sustainable Plan

- 4.3 We have presented revenue projections which suggest there is the potential to deliver a facility which operates at a surplus of circa £138k (year 3) and £171k (year 5). DCC have presented revenue projections that whilst slightly lower still suggest there is the potential to deliver a facility that will operate at a surplus of circa £40k (year 3) and £51k (year 5).
- 4.4 This will however depend on effective marketing and launch of the facilities to deliver a viable facility.

The next steps will be to develop the design further and refine the indicative capital costs (£3.66 million) to assess whether the project is viable before progressing with the development.

Appendix 2

PRESTATYN NOVA CENTRE BUSINESS CASE – Financial Statement

Gareth O Williams – Finance & Assurance Manager

Background

A project of this scale and nature is relatively “unknown” from a DCC perspective and as such it was agreed in conjunction with our strategic leisure development partner, Alliance Leisure (AL), to commission RPT Consulting to undertake a feasibility study on the redevelopment options for the Prestatyn Nova Centre.

RPT presented a series of options and DCC’s preferred one was the partial demolition of the existing refurbishment at an indicative cost of circa £3.6m. Leading on from this RPT produced a 5 year cost model based on a number of business assumptions.

Our work

Alongside the budget profile work commissioned by RPT Consulting, one of our own Senior Finance & Assurance Officers (SFAO) has spent a considerable amount of time, together with the CML’s Commercial Lead Officer, costing the projected staffing structure and other operating costs they believe would be needed for the proposed new development. This work has been based upon current market trends obtained from the Council’s existing commercial leisure sites and extrapolating expenditure and income data on each activity as a comparator. The analysis also utilised the expertise of the Commercial Leisure Lead Officer who has several years’ experience of operating similar sites in the private sector to that proposed at the redeveloped Nova Centre.

The SFAO and her Finance & Assurance Manager then compared the figures provided by RPT Consulting with those produced in-house and carried out a detailed analysis of any significant variances between both sets of data. From a Council perspective the concern was that some expenditure figures included by RPT (specifically relating to employee and premises costs) were understated from our own experience of the existing Council leisure sites. In addition there was worry that RPT had based their forecasts on the achievement of relatively high income levels for some of the activities. This in itself is not a criticism but we felt that we needed to take a more pragmatic view to protect the Council’s interests.

Food and Beverage

Alliance Leisure (AL) and RPT Consulting have based their forecasts on the food and beverage (F&B) functions being provided in-house and they believe that considerable net profit (after accounting for cost of sales) can be achieved, ranging from circa £100K in Year 2 and rising to nearly £170K by Year 5. However the DCC budget forecasts are based on the F&B functions being leased out to 3rd parties at the appropriate tenancy/franchise rates. Our view is that this reduces the risks associated with operating these functions ourselves since presently the Council has

little in-house expertise in this fairly specialised market. However the advice given to us from AL is that they feel strongly that there is significant net profit to be gained by the Council carrying out the services themselves (per the profit figures highlighted above). Whilst we have no reason to doubt AL's stance we feel it sensible to minimise any potential liability to the Council and have therefore based our forecasts on the "risk averse" option by leasing/franchising out the F&B functions. By taking this option we are guaranteed a fixed net rental/leasing income without the risk of incurring any of the associated variable costs.

Latent Demand analysis

The Leisure Database Company (LDB) has produced a latent demand analysis to show the potential number of gym members that could be achieved for a refurbished gym facility at the Nova Centre. These figures are arrived at by comparing a wide range of relevant population data (age profiling, gender mix, travel distance etc) and the total figure arrived at by the analysis is 1,225 potential members.

DCC has chosen not to go with this figure as the risks associated with reaching these numbers are too great. We have used our own statistical data associated with gym memberships at the Council's existing leisure sites and reduced the latent demand figures to what we feel is an acceptable and sensible level. Our budget forecasts assume total gym memberships of 761 in Year 1 (only 62% of the latent demand total); with this figure rising to 908 by Year 5 (still only 74% of the total latent demand figure).

Commercial Risk

Clearly in a venture of this kind there is a considerable commercial risk as the facility will depend almost entirely on the number of customers and memberships it can attract. There are also a number of other factors that will impact on visitor numbers such as the weather, seasonal demand, market competition etc. The budget forecasts included in the business case are based on the Council's experience of operating its other commercial leisure sites, but also making a "reasonable" assumption on those activities which are new to the Council e.g. play zone and the leasing/franchising of the food and beverage functions.

Mitigating the risks

Naturally there are considerable commercial risks associated with the new proposed Nova facility. However we feel that the financial numbers included in the business case are well reasoned, have been financially challenged and mitigate as best we can the Council's financial and reputational position. We feel that we have taken a reasonably conservative view in relation to membership numbers (at no stage forecasting more than 75% of the latent demand totals provided by the market experts) and we have also taken out the risk of the Council itself operating the food and beverage functions within the refurbished venue. The Council can of course take a different stance on the latter and opt to provide this service in-house, which might increase the risk but at the same time potentially provide significant opportunities to generate large net profits from day 1.

NOVA OPERATING FORECAST

APPENDIX 3A

	DCC Projections				
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
NOVA CENTRE - NET OPERATING COST/(SURPLUS)	£39,854	-£21,892	-£40,154	-£45,462	-£50,751
TOTAL EXPENDITURE	£955,980	£949,465	£973,631	£997,131	£1,016,942
TOTAL INCOME	-£744,069	-£836,653	-£879,081	-£907,889	-£932,989
TOTAL DCC BUDGET	£172,056	£134,704	£134,704	£134,704	£134,704
C/F NNDR Budget from closure period	£37,352	£0	£0	£0	£0
Annual NNDR Budget	£74,704	£74,704	£74,704	£74,704	£74,704
Net Budget transferred frpm Prestatyn L.C	£60,000	£60,000	£60,000	£60,000	£60,000
TOTAL EMPLOYEE COSTS	£390,456	£398,318	£407,910	£415,987	£419,470
TRAINING - COURSE FEES	£1,000	£1,020	£1,500	£1,530	£1,750
ADVERTISING FOR STAFF	£200	£0	£0	£0	£0
DUTY OFFICERS	£73,910	£76,123	£78,450	£80,711	£83,097
RECEPTIONISTS	£52,674	£53,893	£55,358	£56,561	£56,010
LEISURE ATTENDANTS	£159,298	£162,871	£167,146	£170,675	£171,037
RELIEF/CASUAL	£34,034	£34,377	£34,721	£35,068	£35,419
INSTRUCTORS	£69,340	£70,034	£70,735	£71,442	£72,157
TOTAL PREMISES COSTS	£219,364	£230,792	£243,618	£257,235	£271,700
REPAIR & MAINT. - CONTRACTORS	£12,660	£12,775	£13,605	£14,501	£15,472
MAINT OF GROUNDS-CONTRACTORS	£0	£0	£0	£0	£0
UTILITIES	£123,000	£130,348	£138,186	£146,546	£155,468
PREMIUMS - EXTERNAL	£5,000	£5,150	£5,305	£5,464	£5,628
N.N.D.R.	£74,704	£78,439	£82,361	£86,479	£90,803
CLEANING MATERIALS	£4,000	£4,080	£4,162	£4,245	£4,330
TOTAL TRAVEL & TRANSPORT COSTS	£200	£204	£208	£212	£216
CASUAL USERS - MILEAGE	£200	£204	£208	£212	£216
TOTAL SUPPLIES & SERVICES COSTS	£89,649	£63,840	£65,584	£67,385	£69,246
GEN. EQUIP. - PURCHASE	£43,905	£30,965	£31,998	£33,063	£34,163
OFFICE COSTS	£1,600	£1,661	£1,725	£1,791	£1,860
PUBLICITY & MARKETING	£7,500	£2,000	£2,060	£2,122	£2,185
TELEPHONES	£10,150	£2,163	£2,176	£2,190	£2,203
STAFF INSURANCE	£2,357	£2,428	£2,501	£2,576	£2,653
SUBSCRIPTIONS - GENERAL	£6,637	£6,948	£7,272	£7,614	£7,971
DSO - BUILDING CLEANING	£17,500	£17,675	£17,852	£18,030	£18,211
TOTAL INCOME	-£744,069	-£836,653	-£879,081	-£907,889	-£932,989
RETAIL SALES	-£10,000	-£10,250	-£10,506	-£10,769	-£11,038
VENDING MACHINES	-£15,000	-£15,525	-£16,068	-£16,631	-£17,213
STUDIO/FUNCTION SUITE	-£18,000	-£20,000	-£22,000	-£24,000	-£26,000
FEES - SWIMMING POOL	-£107,817	-£109,974	-£112,173	-£114,417	-£116,705
SWIMMING LESSONS (Incl School)	-£144,010	-£151,110	-£155,407	-£159,519	-£163,656
PLAYZONE	-£175,000	-£200,000	-£210,000	-£220,000	-£226,000
FITNESS	-£256,242	-£274,794	-£297,926	-£307,554	-£317,377
RENTS	-£18,000	-£55,000	-£55,000	-£55,000	-£55,000
TOTAL FINANCING	£256,311	£256,311	£256,311	£256,311	£256,311
PLAY & FITNESS EQUIPMENT - PB	£62,166	£62,166	£62,166	£62,166	£62,166
BUILD - PB	£194,145	£194,145	£194,145	£194,145	£194,145

Appendix 3C

PRESTATYN NOVA BUSINESS CASE – Finance Context / Narrative

Senior Finance & Assurance Officer

The below briefly explains the rationale behind the financial calculations in relation to the five year operating requirement for the redeveloped Nova.

1. Employee Costs

The total employee costs are based on the operating hours of 94 hours per week for the new facility, we are predicting that there will be a requirement to employ 14.42 contracted F.T.E's including Duty Officers, Receptionists, General Leisure & Fitness Attendants, Swimming and Fitness Instructors. This will equate to 19 staff members, all of which will be entitled to holidays and will require additional members of casual staff to cover. All staff members will be employed on the same generically graded posts as current Leisure Centre staff and staff costs will incrementally increase based on the point at which they are employed on the grade.

There is no provision for a designated manager's post as the overall management of the facility will be included within the current Leisure Officer structure.

The staff requirement for the café provision has been excluded at this stage as we have assumed that the café will be leased to a third party and all staff arrangements for this area of the facility will be the responsibility of the tenant.

2. Premises Costs

The total 'Repairs & Maintenance' costs include devolved repair & maintenance, maintenance service contracts, window cleaning and refuse collection costs. All contract costs are based on current requirements at Rhyl Leisure Centre and include an element of annual inflation.

The total 'Utilities' costs include Gas, Electricity and Water, again these costs are based on current costs for Rhyl Leisure Centre and include an annual inflationary increase based on the inflation rates quoted for 2014/15.

There is an annual inflationary increase of 5% added to the NNDR costs.

3. Supplies & Services Costs

These costs include all purchases of general equipment which will aid the swimming programmes and the 'dry' side facility, all equipment service agreements which will

include the cost of the Fitness equipment service agreements, pool plant service contracts and the purchase of resalable goods such as goggles, swimming badges etc.

The cost of the 'telephones' will also include all installation and licence costs for the Leisure Management System used by all other DCC Leisure Centres.

'Subscriptions' include the Performing Rights licence costs to enable the facility to play general music and also to allow for music to be played at all fitness classes.

The cleaning contract cost is based on the current cost of Rhyl Leisure Centre and includes an annual inflationary increase.

4. Income

The 'Retail Sales' income is aligned to the income calculated for swimming and swimming lessons and there is a direct percentage relationship with the expenditure requirement for the purchase of goods included within the total 'general equipment' cost.

'Vending' income presumes a profit related to sales, it is undecided at this point whether the vending contracts will be based on a full profit share agreement with a vending provider which will negate the cost of rental of the vending machines or whether we will rent the machines and we will procure all stock. Both arrangements will provide approximately the same level of net income based on the predicted footfall of customers of the new facility, the cost of stock and machine rental is currently excluded for the expenditure calculations.

The 'Studio/Function' suite income is derived only from the function element of the dual use facility as the fitness class income is aligned to 'Fitness'. We have assumed that the function suite will be hired up to 40 times for functions and parties during the year and for the majority there will be a bar provision provided, therefore the income is based on the total hire fee and net bar profit share as at this stage the cost of DCC providing the bar provision is excluded.

The 'Swimming' income excludes swimming lesson income as this has been calculated separately. We have presumed that there will be the same level of requirement for club swimming as at Rhyl, together with extended public swimming allowance, as Rhyl is a school Dual Use site and is restricted to evening and weekend public use only. There will also be a greater demand for public swimming at the Nova during the holiday season.

'Swimming Lesson' income includes school swimming provision at the site, this is based on 6 hours of school swimming lessons per week during term time and the cost of each 30 minute session is based on the current Dual Use Agreement for

swimming lessons at Rhyl Leisure Centre which is £59.31 per session increasing to £73.60 per session dependant on the number of swimming teachers provided. The total income calculated for school swimming in year 1 is £27k. General swimming lesson income is based on the number of sessions linked to the staff costs, we have presumed a 70-80% capacity for each swimming session and included all income at Direct Debit rates. The cost of the DD will increase annually and the total income calculated for general swimming lessons for year 1 is £117k.

'Playzone' income is largely based on the advice from RPT Consulting as DCC have little experience in this area, the number of users and average entry cost per user is based on similar play facilities across the region, allowing for additional participation during the holiday season. There is also an element of children's party income and income derived from the hire of the facility by play groups built into the forecasts. Income is likely to increase annually based on inflationary increases in prices and demand is likely to grow as the facility becomes established as a play destination for the Coastal area. The number of users of the play facility will be inextricably linked to the income earned at the café and this will be used to attract a tenant for the café area.

'Fitness' income includes Junior and Adult DD memberships, 'Pay as you go' cash income including joining fees and fitness classes which will be held in the Studio/Function Suite. We have presumed that there will be 22 fitness classes per week with the majority of income included within the monthly DD memberships, however there is an additional £13k included for 'Pay as you go' class income. The joining fees are based on current prices and the number of new members required per annum, this is included at £40k per annum.

The Adult DD monthly income for year 1 is based on the percentage of Latent Demand we achieved in the first seven months of operating the newly built Ruthin fitness suite, we have set an average monthly member target of 761. Prestatyn Leisure Centre currently have 200 DD members and there is a presumption that all of these members will migrate over to the Nova as we will amend the provision available at Prestatyn Leisure Centre once the development is operational. Membership income is likely to fluctuate monthly based on current trends in our Leisure Centres, these trends have been accounted for in calculating the fitness DD income, although the average year 1 monthly membership is set at 761 we presume that by the end of year the number of members will have increased to 864 per month. The percentage of Latent Demand will increase in subsequent years, increasing to a monthly average of 825 in year 2, 888 in year 3, 898 in year 4 and 908 in year 5. Each year the DD cost is likely to increase by a gross amount of £0.50 per annum.

Rental income will be derived from three Business Units leased to tenants in year 1, year 2 includes the rental income from the café provision which will also include a profit share element.

5. Financing

The 'Prudential Borrowing' costs are based on a total project cost of £3.6m, with the purchase of fitness equipment costing approximately £200k paid for over 5 years (after which all fitness equipment will be updated), the Playzone Equipment at a cost of £175k paid for over 10 years and the redevelopment/build cost of approximately £3.225m paid for over 25 years.