Report To: Council

Date of Meeting: 7th October 2014

Lead Member / Officer: Councillor Huw Jones / Lead Member for Leisure, Youth, Tourism & Rural Development

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

Title: Prestatyn Nova Centre Development Proposal

---

1. What is the report about?

1.1 The report considers the proposals for the £4.217M redevelopment of the Prestatyn Nova Centre.

2. What is the reason for making this report?

2.1 A decision is required by the Council to approve the recommendation of the Strategic Investment Group, to proceed with the redevelopment of the Nova Centre.

3. What are the Recommendations?

3.1 That the Council approves the £4.217M refurbishment of the Prestatyn Nova Centre.

4. Report details.

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

4.2 In March 2014, a report was presented to Cabinet by Communication, Marketing and Leisure (CML) outlining the recommendations arising from a detailed appraisal of the building conditions and the cost benefit analysis in respect of the different interim management options for the facilities; whilst the business case for a much improved leisure offer on the coast was developed further. Cabinet agreed to the recommendation that the Nova Centre remains closed pending agreement of the Alliance Leisure Services (ALS) redevelopment proposals for the facility in May 2014'.

4.3 A feasibility exercise and outline business case for the proposed redevelopment of the centre was commissioned, to be considered further by the Councils Strategic Investment Group. The process included financial analysis and input from one of Denbighshire's Senior Finance & Assurance Officers (SFAO) and Finance Manager; together with CML's Lead Officer for Commercial Leisure. The feasibility and outline business case was presented to Strategic Investment Group and Cabinet in June 2014 in order to secure funding to take the project forward to detailed design. Both approved progression to the next stage, awarding 108k for the detailed design stages in order to establish cost certainty for the project.

4.4 Work has progressed at pace and ALS in partnership with DCC have now completed all detailed surveys, and provided the Strategic Investment Group with detailed costs (income and expenditure forecast and capital requirements) based on the following mix of facilities, as agreed in the original feasibility brief set out in Appendix 1:

- Reduction of overall footprint of the property.
- Retention of the 25m 4 lane swimming pool and small splash pool.
- Creation of a village changing area to serve the swimming pool.
- Creation of an improved fitness offer to the same quality as that delivered at Ruthin Leisure Centre with separate fitness changing.
- Creation of a multi-use space to accommodate current community events / functions and a range of exercise classes / sports clubs.
- Creation of a large soft play facility unique to the market.
- Creation of a new entrance, reception and café area overlooking the sea.
- Creation of three promenade side retail units to support new businesses along the coast.
- Introduction of energy efficient mechanical / electrical services / devices in order to reduce carbon footprint.
- Renovation / repair of all roofs and re-enveloping of the property, whilst at the same time creating a more attractive coastal facility.
- Repair and replacement of mechanical and electrical systems including boilers, air handling system and pool plant.
- Addressing the issues highlighted in the condition surveys – commissioned by property as part of the original management options appraisal for the future of the facility.

4.5 The detailed surveys undertaken during the detailed design stages have identified a number of issues that need to be resolved to ensure the long term sustainability of the building for the term of the business case and the Councils financial commitment. The mechanical and electrical plant is in extremely poor condition and as part of the refurbishment will need to be replaced. The roofing survey undertaken by an independently appointed company; identified a host of issues with both the flat and metal sheeted roof sections. All areas of the roof will need to be cleaned and repaired. The increase in costs from outline to detail design stage; as a consequence of the more instructive surveys represents a 15% increase in overall development costs. This is containable within the overall envelope of affordability over the term of the business case set out in this report.

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

5.1 The development is a major strand of the Council’s vision for an improved leisure and tourism offer along the coast, as set out in the Economic Ambition Strategy.

5.2 The BIG Plan 2011 – 2014 aims to achieve a number of outcomes and of particular relevance to this proposal is the desire for people in Denbighshire to have healthy lifestyles. The aim is for more adults and young people to participate in sport and physical activity in order to stay fitter and healthier by offering a high standard, year round set of attractions and activities.

5.3 The vision within Denbighshire’s Leisure Strategy is to increase the number of people participating in a range of leisure opportunities and work with partners to make best use of resources to design, deliver and promote leisure across Denbighshire. Our Leisure Strategy sets out our vision and commitment to improve access to high quality settings in which to enjoy leisure activities, for both visitors and community alike.

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

6.1 The costs pre - detailed design were approximately £3.6 million. The revised costs as a consequence of the roofing and M&E requirements have increased to £4,217,001.

6.2 Officers from finance, Property and the appointed Alliance Leisure project team have been through a vigorous ‘value engineering process’ reviewing the costs and specification to reduce the costs as far as is possible without compromising the whole development. In the original business case it was identified a total of £256,311 was required to service the overall borrowing required for the development. As a consequence of the increase in capital required for the development, the prudential borrowing costs have increased to an annualised payment of £284,680, representing a total increase of £28,369 per annum. This is confined within the affordability of the project and has been fully considered and scrutinised by both the Strategic Investment Group and the appointed Coastal Facilities board, who oversee the progress and development of our Coastal Facilities portfolio.

6.3 A budget forecast is set out in Appendix 2, with a financial commentary in Appendix 3; and a full financial statement from our Finance & Assurance Manager is attached in Appendix 4. The budget forecast now shows an operating loss in year 1 of £68,223, year 2, a loss of £6,447 and by year 3 a surplus of £11,785. If we were to take the full 5 year forecast, over this period the Centre will have made a £23,440 operational loss, over and above the resources we have available for the running of the facility, but this assumes only realising just over 70% of the overall latent demand. However, if this development does not proceed, the building is likely remain in its current condition until further options are explored, which could take a significant amount of time. In the meantime, the centre continues to cost the Council approximately £71,000 per year to maintain whilst closed. This takes account of NNDR (rates), security, repairs and maintenance, as set out in the options in Appendix 5 (page 6 of the business case). Consequently, if this property was to be left in this condition permanently it would cost approximately £355,000 over the next five years.

6.4 Demolition has been considered as one of the ‘do nothing’ options, and this would cost approximately £1M; financed over a 20 year period would cost approximately £60,000 per year. The redevelopment, projects a £23,440 operational loss over 5 years (on top of the £71,000 per year identified above). However, this represents better value than either of the other two options, particularly when considering some of the non – financial benefits that would derive from this development, such as increased employment opportunities, increased footfall for existing or new business and the creation of a visitor attraction / destination on the Prestatyn coast.

6.5 Income projections have not been amended from the original report and business case that was submitted to Strategic Investment Group (SIG) in May 2014. Although the capital costs have increased, we felt it more prudent to maintain the levels of income agreed with our SFAO prior to submission of the revised development costs, to highlight the worst case scenario in terms of the operating profit and loss position. We have been extremely conservative with our income targets and would expect to exceed our projections, but for the purposes of the business case they remain conservative. The business case (Appendix 5) has been scrutinised by Strategic investment group and they have sufficient confidence to recommend to Council that we move forward with the development of the Nova Centre.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

7.1 The EqIA is attached in Appendix 6. This is a refurbishment of an existing facility but considerations have been made within the design to ensure that we have a facility that removes all barriers to participation encouraging and supporting all users.

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

8.1 The proposal has the full support of Councillor Huw Jones, Lead Member for Leisure, Youth, Tourism and Rural Affairs. The proposal and business case has also been approved by Strategic Investment Group. Prestatyn Town Council, the Coastal Board and Prestatyn Member Area Group have been consulted throughout the development stages. Cabinet considered the initial options appraisal and recommended a business case be submitted to Strategic Investment Group for approval.

9. Chief Finance Officer Statement

9.1 The project has been reviewed by Property and Finance and seems robust and reasonable. With any scheme that involves refurbishing an existing, large, old building there are always risks associated with unforeseen costs. The nature of the contract and the amount of survey work should help to mitigate these risks.

9.2 There are financial risks attached to any new trading operation. Again the amount of research that has been undertaken along with moving the health and fitness offer from Prestatyn Leisure Centre should mitigate these risks. The costs of the three scenarios (demolition, leave vacant, refurbishment) are broadly similar from a revenue perspective and would therefore support the decision to proceed with the project. It should be managed following the Council's project management methodology.

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

10.1 If the scheme is approved to proceed to construction by the Council, the construction cost will be fixed. As set out within our development partner framework, any deviations from the agreed capital sum will be borne by ALS, unless the costs are as a consequence of any additional request from the Council over and above the agreed scope of works.

.

10.2 If we do nothing, then Prestatyn Nova Centre will remain closed and the building will continue to deteriorate and likely become a health and safety risk; incurring costs of approximately £71,000 per year to maintain in its current condition. Demolition costs are approximately £1M. The 5 year financial forecast highlights a £23,440 operating loss over that period. Operating loss during the first year has been fully considered and appropriate measures will be put in place to service the cash-flow position. Operating profit in subsequent years will off-set any losses during the first two years. Options have been discussed with the Strategic Investment Group, and on the basis of how the risk will be managed, they have agreed to recommend for development, pending approval from Council.

11. Power to make the Decision

Section 3 of the Local Government Act 1972: Duty to secure continuous improvements in the way in which functions are exercised.