Appendix 1

PRESTATYN NOVA – FEASIBILITY STUDY

A

REPORT

BY

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APPENDICES

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 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:

- 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 PNLC 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 delver
- 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.

- 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	Denbigh-shire	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

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.

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 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)

- 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.

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.

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
- Rationalision 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

- 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.

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 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.