

APPENDIX 3

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 £4,217,000, with the purchase of fitness equipment costing approximately £130,000 paid for over 5 years (after which all fitness equipment will be updated), CCTV at a cost of £40,000 over 5 years, Furnishings at £35,520 over 5 years and the Playzone Equipment at a cost of £125,000 paid for over 10 years. the redevelopment / construction cost of approximately £3,886,751m paid for over 25 years.