

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 Re-development
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:	22/09/2014
Service Accountant:	Gareth O Williams	Date:	22/09/2014

PROJECT TYPE

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

SMALL **MEDIUM** **LARGE**

DECISION SOUGHT FROM SIG:	Approval by SIG for the £4.2 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 May 2014, CML presented a business case to Strategic Investment Group (SIG) seeking approval to progress to detailed design for the £3.66 million redevelopment of Prestatyn Nova Centre. Our development partner, Alliance Leisure Services (ALS) had up to this point carried out all this work at risk and the Council had incurred no costs. To progress to this next stage, the Council needed to underwrite costs of approximately £108,000. SIG approved this expenditure based on the information provided in the business case and their decision was ratified by Cabinet in June 2014.

In June, Communications, Marketing and Leisure (CML) commissioned ALS to carry out this work with the intention of providing the Council with more assured plans and costs which would be reported back to both SIG in September and full Council in October for consideration.

The previous report is attached in appendix 1, however to summarise:-

- As part of a review into Clwyd Leisure, a condition survey was carried in October 2013. This was a due diligence survey comprising of the visual assessment of all exposed and accessible parts of the buildings. This was the basis for providing associated costs relating to repair and maintenance. ALS used these reports as a basis for their feasibility exercise.
- 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 ceased 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. The properties returned to Denbighshire County Council on the 7th March 2014 under the management of CML.
- In March 2014, there was a cabinet resolution **agreeing, the Nova Centre remains closed pending agreement of the Alliance Leisure redevelopment proposals in May 2014.**

Findings of feasibility study by RPT Consulting:-

- **Demographics** - RPT used the Leisure Database Company (LDB) and we opted for a 7 - 12 minute drive time from Prestatyn as the core catchment area which resulted in a population of between 6,639 (7 minutes) - 22,747 (12 minutes). The age breakdown is shown on the table below:-

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)

- **Fitness** - The LDB has estimated the latent demand (desire currently not being satisfied) for improved fitness facilities at Prestatyn Nova Centre is 1225 members – this is the total number of members they feel the centre could achieve. 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.

- **Swimming** - A 12 minute drive time has also been used to determine the demand for a swimming pool. Based on a population of 22,747 there is a demand for 242 square metres of water space within the 12 minute drive time 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.
- **Soft Play** - although the immediate catchment (7 minute drive time) 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. It was also suggested that a unique product would attract visitors from well outside the area and would be a major attraction to these visitors and those staying in the area during the holidays.
- **Restaurant and café** – an appraisal has been carried out by ALS on the restaurant and café options. 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 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 business case is not dependent on agreeing an option now, there is no income attributed to this in year 1 but has a target from year 2 onwards.

Detailed Design – Surveys & Costs

Work has progressed at pace to get to this stage and ALS have now completed their full surveys which include:-

- Full dimensional survey undertaken to inform design team for space planning
- Asbestos Survey Undertaken
- Roof Survey (additional instruction by DCC)
- Drainage Survey
- Structural Survey Undertaken
- Mechanical & Electrical Survey Undertaken
- Catering Equipment Survey Undertaken
- Ground Investigation Survey
- Designs and costs called for from supply chain in terms of fitness; catering; play; signage; furniture
- Catering Options Review commissioned
- Beach toilet consultation to finalise design.

ALS have also provided CML with detailed costs based on the following and facility mix (Appendix 2 Prestatyn Nova Update):-

- 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 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 / devices in order to reduce carbon footprint.
- Renovation / repair of all roofs and re-enveloping of the property.
- Repair and replacement of mechanical and electrical systems including boilers, air handling system and pool plant.
- Addressing the issues highlighted in the condition survey.

There are other elements that have been designed and costed but are outside of the scope of the project. These include the redevelopment of the promenade /coastal defences and the public toilets connected to the side of the property. The costs associated with the refurbishment of the toilet block are approximately £108,000 whereas the costs associated with the promenade / coastal defence are approximately £100,000. Although these are not pivotal to delivering the new center, both would enhance the scheme. A number of options are being considered including possible contributions from Prestatyn Town Council or the Town Plan fund. If funding becomes available there will be the option to include these in the scheme as an acceptable variation.

The surveys have identified a number of issues that need to be resolved to ensure the long term sustainability of the building. 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 ALS 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. This has had implications on the indicative budget costs provided by ALS prior to detailed design. The original cost provided by ALS was £3.6 million. The new costs which include the roofing and M&E requirements have increased the costs to £4,217,001. An increase of £617,001. This is confined within the affordability of the project.

This is broken down as follows with prudential borrowing term and annualised costs over that period:-

Construction Costs:- £3,886,751 (25 years – annualised payment £226,986)

Fitness Equipment / furniture / CCTV system:- £205,250 (5 years – annualised payment £43,406)

Soft Play:- £125,000 (10 years – annualised £14,288)

TOTAL Project cost £4,217,101 / £284,680 annualised payment as shown in appendix 3

Officers and ALS have been through a vigorous 'value engineering process' reviewing the costs and specification. In our original business case we identified we would have a total annualised payment for borrowing of £256,311. The new requirement of £284,680 results in an increase of £28,369.

Although this is disappointing, it is not unexpected and represents an 11% increase from the original business case. The building is in extremely poor condition and the condition survey carried out in October 2013 did identify nearly £500,000 expenditure required just to get the property up to an acceptable standard and did not include roofing costs or replacement of M&E plant.

The feasibility exercise and detailed design process has also included financial analysis with one of DCC's Senior Finance & Assurance Officers (SFAO), together with CML's Lead Officer for Commercial Leisure, costing the projected staffing structure and other operating costs believed to 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.

These income projections have not been amended against the report we submitted to 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 these new costs. We have been extremely conservative with our income target and would expect to exceed our projections but for the purposes of the business case remain conservative. For example, the feasibility exercise suggests that there is a latent demand of 1225 for the provision of improved fitness facilities. However, having 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). If we exceed these levels, the site will generate increased income which will reduce the subsidy requirement.

A budget forecast is attached as Appendix 3 with a financial commentary in Appendix 4 and a full financial statement by our Finance & Assurance Manager is attached in appendix 5. This provides a financial assessment of the proposals, detailing how this work has been undertaken. 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. However, if this development does not proceed the building will be more than likely 'mothballed'. This will be a 'blot' on the Prestatyn coastal landscape, a source of anger for local residents / visitors, a loss of economic opportunities i.e employment and local suppliers / contractors and a cost to the Council of approximately £71,000 per year including NNDR, security, running repair and maintenance. If the property was to be left for this period without the consideration of demolition then the non -operational cost would be £355,000. Alternatively, the building could be demolished at a cost of approximately £1M. Annualised payments for prudential borrowing over 20 years would be £55,000 - £60,000.

There are huge economic benefits associated with this development. A new visitor destination will be re-created on the Prestatyn Coast which will ultimately increase visitor numbers and benefit the other businesses in the area through increased footfall. There will also be a benefit for Parking Services who manage the surrounding car parks and would expect to achieve increased levels of income from the increased footfall. The site itself will offer three small retail units to complement the offer. This will be supported by 14 full time equivalent staff to operate the new centre. The development of an improved leisure offer along the coast is a major strand of the corporate priority 'Developing the Local Economy' set out in the Economic Ambition Strategy.

In addition to the improved coastal offer, Prestatyn Leisure Centre which is 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. This has been accounted for in the business case. 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. 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.

These proposals and costs have been presented to the Coastal Board and the Prestatyn Member Area Group. The project has full support from both. A planning application has been submitted with no objections received.

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?					
<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 (estimated at approximately £250,000 just to replace the air handling system). 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.					
Option title:	Declare the property surplus to CML’s requirements. Possible demolition?				
Please provide brief details:					
If the re-development was not to progress to construction then CML would need to declare the property surplus to requirements. This would be transferred to the Corporate Property portfolio and in the short term would have to cover the on – going costs (approx. £71,000) and would possibly look to demolish with costs anticipated to be approximately £1M (approx. £60,000 per year annualised prudential borrowing)					
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?					
<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 requiring funding • 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 loss of employment / regeneration opportunities and no business benefits to other operators on this stretch of the coast. 					

EXPECTED BENEFITS

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

<p>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.</p> <p>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.</p> <p>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.</p> <p>The development recreates a destination and removes the risk from the Council.</p>
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EXPECTED DIS-BENEFITS

Outcomes perceived as negative by one or more stakeholders

None

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
November 2014	Mobilisation and start on site
July 2015	Project completion

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)	£108,664
Client side project management	
OTHER (please enter)	
OTHER (please enter)	
TOTAL	£108,664

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)				
Construction				
Fitness Equipment				
Play Equipment				
CCTV				
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)	£108,864
Client side project management	
OTHER (please enter)	
OTHER (please enter)	
TOTAL	£108,864

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				
Land/property acquisition				
Land preparation/remediation				
Demolition and/or site security				
Construction, refurbishment or maintenance	£3,886,751			£3,886,751
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	£35,250			£35,250
Furniture				
Planning/Building Regulation Costs				
Design Team Fees (architects, QS, etc)				
Legal Costs and Fees				
Marketing/Consultation				
Equipment CCTV	£40,000			£40,000
Construction Technical Services - Design				
Fitness Equipment	£125,000			£125,000
Play Equipment	£130,000			£130,000
TOTAL	£4,217,001			£4,217,001

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2014/15	2015/16	Future Years	TOTAL
SIG Prudential Borrowing	Applied	£4,217,001			£4,217,001
TOTAL		£4,217,001			£4,217,001

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:			
<u>SEE APPENDIX 3 – 5 YEAR FINANCIAL FORECAST</u>			
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)			
energy costs (heating, lighting, ICT, etc)			
property maintenance and servicing costs			
other property related costs (rental, insurance, etc)			
ongoing ICT costs (licences, etc)			
mileage of Denbighshire fleet vehicles			
mileage for business travel by Denbighshire employees using their personal vehicles			
OTHER (please enter)			
OVERALL REVENUE REQUIREMENT			

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*

<p>A budget forecast is attached as Appendix 3 with a financial commentary in Appendix 4 and a full financial statement by our Finance & Assurance Manager is attached in appendix 5.</p> <p>In Summary.</p> <p>Capital costs have increased from £3,600,000 to £4,217,001</p> <p>The increase in capital costs results in an increase in the prudential borrowing sum resulting in an increase in the annualised costs by £28,369 from the original cost of £256,311 to £284,680.</p> <p>Income level forecast have remained the same as previously submitted to SIG. The income forecast is conservative but CML would rather be prudent in their approach.</p> <p>This increased borrowing results in an operating loss of £68,223 in year but by year 3 would generate a surplus of £11,785. Over a 5 year period it equates to an operational loss of £23,440.</p> <p>To do nothing would cost the Council at least £71,000 per year in costs for NNDR, security, utilities and R&M</p> <p>Demolition would cost approximately £1M.</p>
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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.

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 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 construction.	<p>Prestatyn Nova Centre and the facility will remain closed with on – going annual revenue costs associated with the security of the property, NNDR, insurance etc (approx.. £71,000)</p> <p>Reputational risk to the Council if the Nova Centre does not re – open. Adverse impact on tourism.</p> <p>No economic benefits to employment or regeneration of Prestatyn coast.</p>	Secure funding.
Unoccupied property – risk of building further deteriorating without urgent works.	The building will continue to deteriorate particularly the external elevations. May be unsafe.	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 – Strategic Investment Group Business Case May 2014
 Appendix 2 – Prestatyn Nova Centre Update – Plans & Drawings
 Appendix 3 – DCC 5 year financial forecast
 Appendix 4 - Financial narrative detailing income and expenditure budget lines.
 Appendix 5 – Financial Statement by Finance & Assurance Manager

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:	17/09/2014

For use by Finance:

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

APPENDIX 1



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 **MEDIUM** **LARGE**

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

--

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 2

DENBIGHSHIRE COUNTY COUNCIL

Prestatyn Nova Centre Update



1. WORK UNDERTAKEN TO DATE & REPORTING CHANNELS

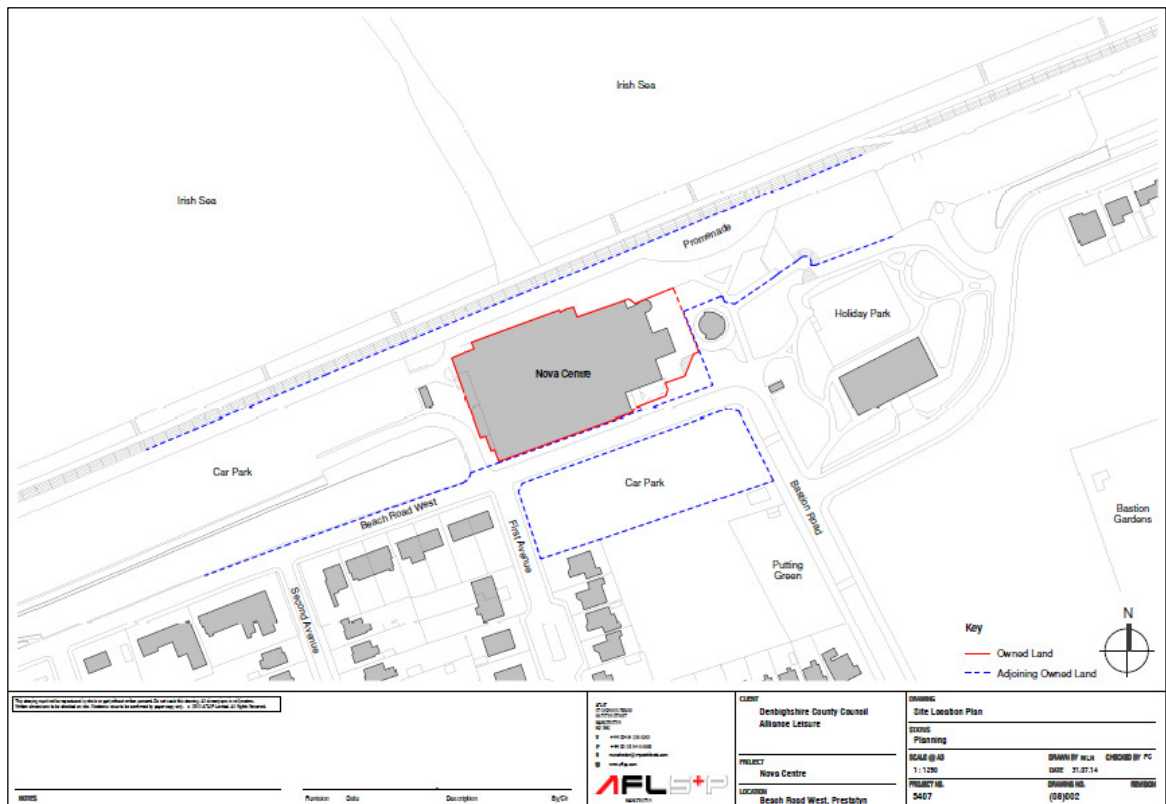
27 th May 2014:	Cabinet Approval for underwriting detailed design
5 th June 2014:	Alliance instruct the team to commence detailed design.
7 th June 2014:	Scheme cost check which is was within 10% of previous costs on the <u>main</u> brief presented @ £3.6m Additional items now costed include: <ul style="list-style-type: none">• 3 x retail units, Storm shutters for retail units & gym windows.• Disabled access ramp• External toilets & storm shutters• Facade
9 th June 2014:	Design updated post feedback from DCC to include: <ul style="list-style-type: none">• larger external toilet area to service beach• Additional internal café toilets• Access control points between Starlight Suite & play / pool
17 th June – July 2014:	Plans updated -Meetings held with project team to finalise design, meetings with Environmental Services & Planning
31 st July 2014:	Planning Application submitted. Consultation end date 8 th September 2014. If the decision needs to go to committee this will be 15 th October 2014
4 th September 2014:	Initial cost plan presented to DCC
September 8 th 2014	Coastal Project Board presentation
September 11 th 2014	Rhyl and Meliden Member Area Group & Town Council presentation
September 22 nd 2014	Business Case to Strategic Investment Group - Papers by 15 th September
October 7 th 2014	Full Council - papers submitted by 25 th September.

Detailed design has included:

- Full dimensional survey undertaken to inform design team for space planning
- Asbestos Survey Undertaken
- Roof Survey (additional instruction by DCC)
- Drainage Survey
- Structural Survey Undertaken
- Mechanical & Electrical Survey Undertaken
- Catering Equipment Survey Undertaken
- Ground Investigation Survey
- Designs and costs called for from supply chain in terms of fitness; catering; play; signage; furniture
- Catering Options Review commissioned
- Beach toilet consultation to finalise design
- Full design work to allow a BOQ to be produced for costing

2. THE DEVELOPMENT PROPOSAL

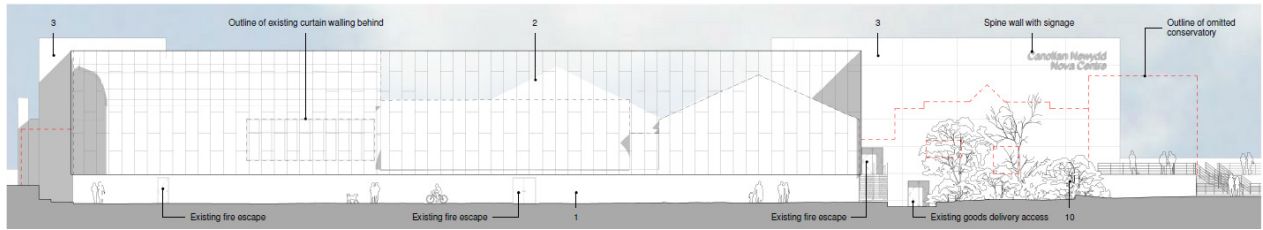
The Nova Centre is situated on the sea front of Prestatyn and is currently accessed from Beach Road West.



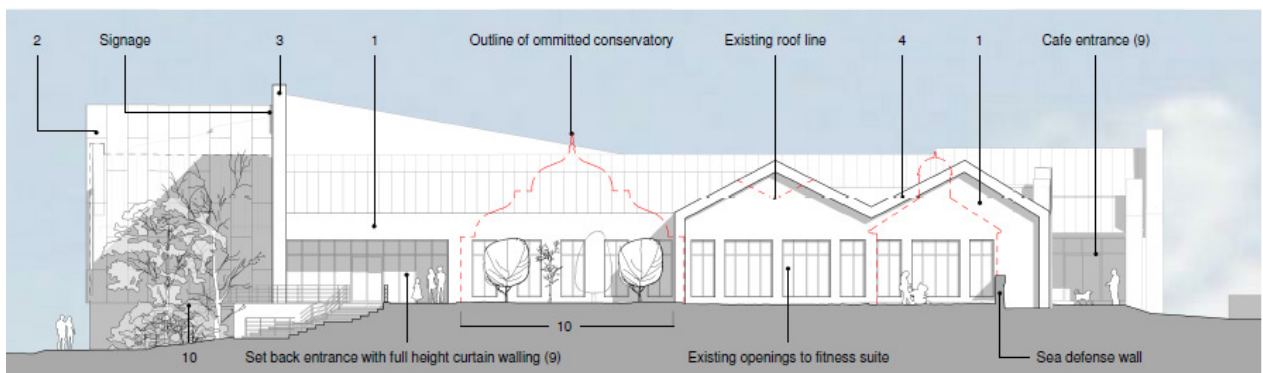
The refurbishment looks to address a number of key aspects of the existing building and give the centre a new 15 year longevity:

2.1 EXTERNALS

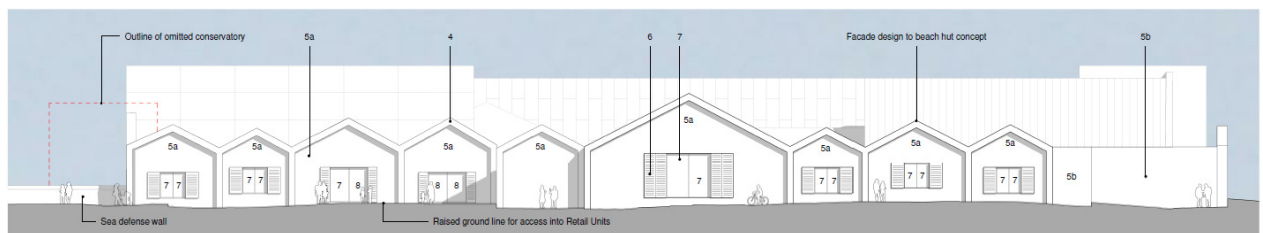
Façade: The current façade is in poor condition and dated. The proposed new façade will be modern and fresh through the use of perforated metal panelling. This will change the current profile of the building and with the introduction of a dark clad spine wall the eye will be drawn to the new entrance. The elevation from the South East (Beach Road East) will look like:



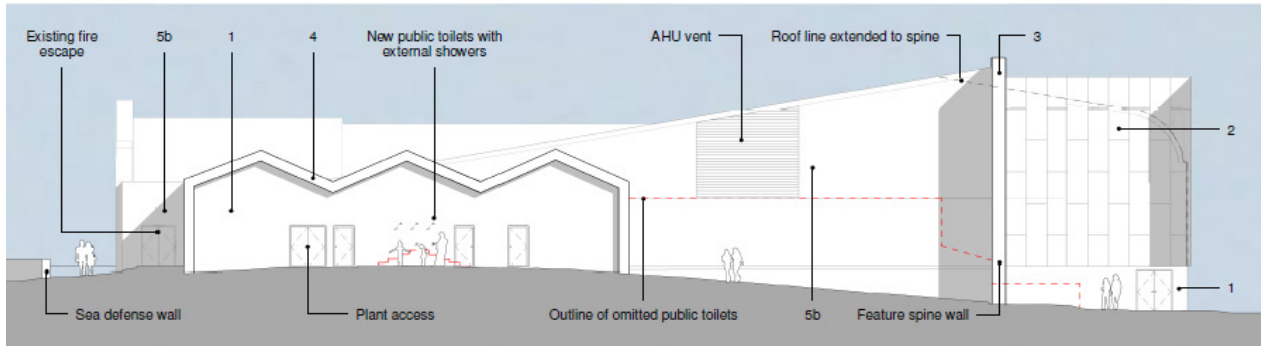
Entrance: The current entrance is situated off the main road and requires customers to go up one floor to access any of the existing facilities. The new proposed entrance is to be moved to the side of the promenade which allows all access on one level negating the need for a lift. The existing external walls will be re-rendered and the new entrance will be set back with full height curtain walling. The current orangery will be demolished and the front area will be a shop window for the health and fitness offer.



Promenade Façade: The current façade that looks out to the Irish Sea will be re-surfaced and painted in bright colours to create a beach hut theme. Three retail units are being developed for concession rentals and there will be a beach front entrance to the café (automated doors) which will have sea views and in good weather allow tables and chairs to be located outside on the promenade. Solid aluminium sea defence doors / shutters will be fitted.



South West Façade: This area currently hosts the blue flag toilets which serve the beach. These are to be remodelled and refurbished Existing brickwork on this façade will be re-rendered, gables cladded and the existing façade repainted.



NB: Lighting attached to the building has been positioned to light the area. A paraphet wall above the external café entrance has been added to ensure the roof is not seen from the promenade façade.



Main façade from Beach Road West



New entrance to the centre & fitness suite shop window

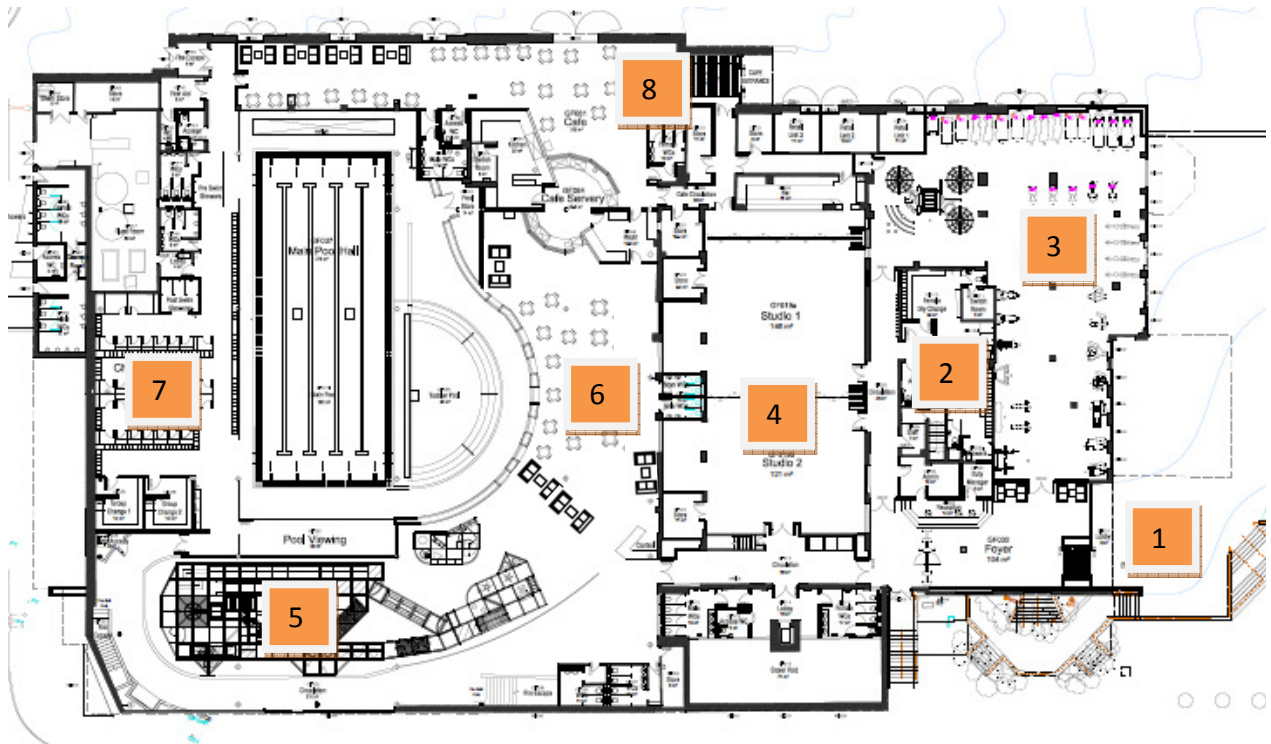


Promenade visual and entrance to beach cafe



View of the centre from the south west with the external blue flag toilets shown on the far left

2.2 INTERNALS

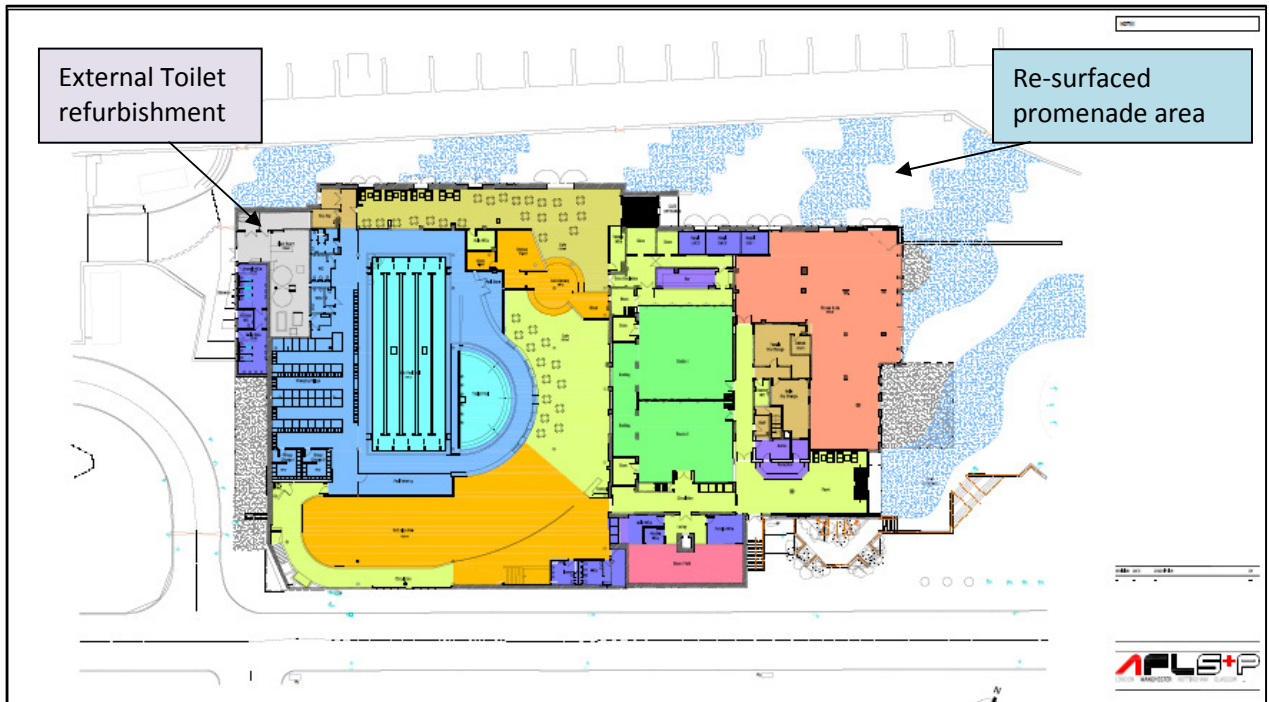


1. The refurbishment creates a new entrance to the centre and brings customers into an area where they are immediately met by a reception area that has an access control point to give security to the facility. The customer will be able to view the fitness & play from reception, and signage will ensure customers are able to understand the full activity profile the centre has to offer.
2. New male and female changing facilities have been created for the fitness users, which is adjacent to both the fitness area and the studios.
3. The fitness suite is 390sqm and will be equipped initially with around 40 pieces of equipment, which will allow additional pieces to be added as membership grows.
4. The studios are each circa 100sqm but can be opened out into one large function suite with bar as per 'The Starlight Suite'. Toilets have been built outside of the studios for function use. The corridor

takes you past to the studio / function space to the old pool hall which is now home to a large indoor play structure, café and the entrance to the pool.

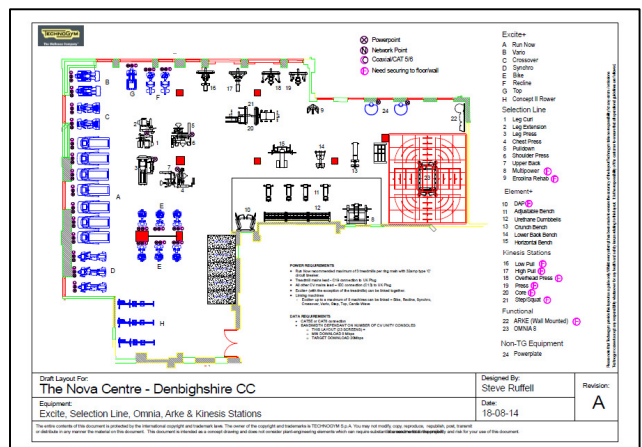
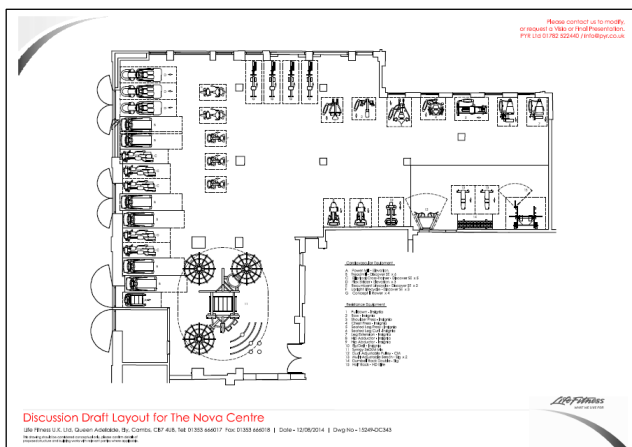
5. The play structure offers over 270sqm of multi-level play with a playing capacity for around 150 children catering for baby, toddler and juniors.
6. The play facility is supported with a café offer which has covers for 60, but there will be space for this to be expanded if required.
7. The entrance to the side of the play structure takes you to a newly refurbished changing village for the pool.
8. At the beach side to the facility the external café entrance is located, which links to the internal café offer. The external café has a further 86 covers

Proposed Layout showing the external toilets and promenade areas

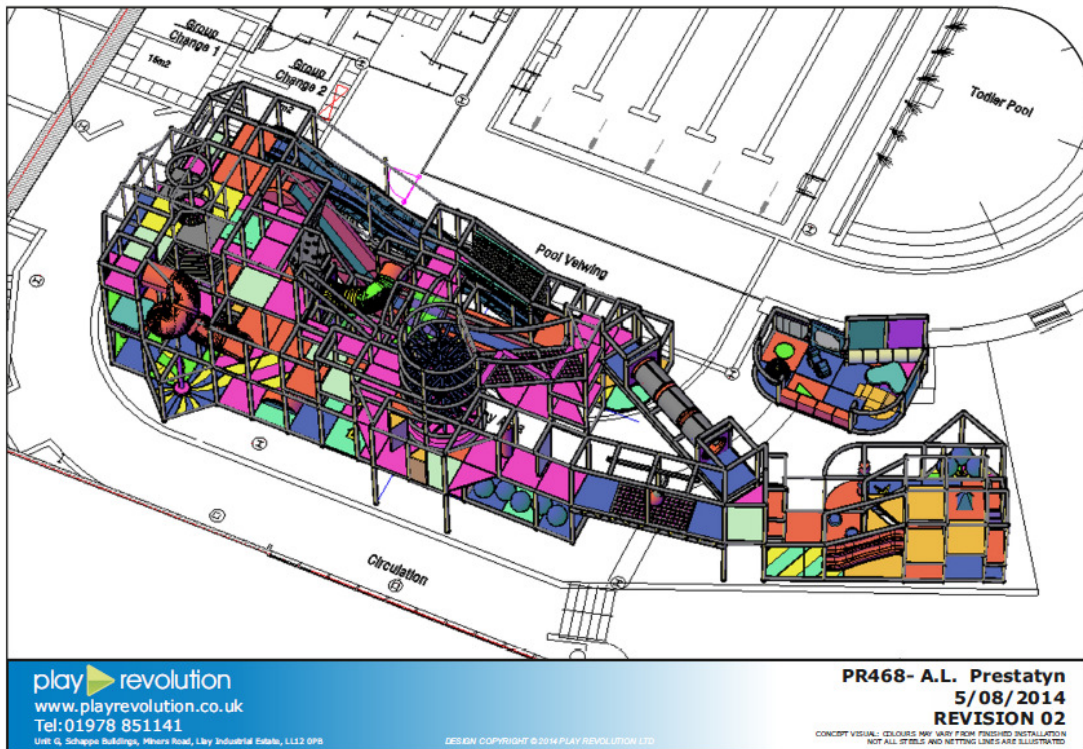


2.3 HEALTH & FITNESS:

RPT consulting has estimated based on the independent Leisure Database report a potential membership of 1225 which would require a gym of circa 60 stations. DCC have taken a prudent approach in their business plan and worked on a membership of 864 in year 1 rising to 960 by year 4. The equipment proposed therefore offers a circa 40 station facility which can increase as membership increases. Two possible layouts are shown for the fitness space which both take advantage of the sea views showing cardiovascular equipment located in front of the windows to allow customers to run / bike and look out to sea, a dedicated functional area is included as well as a selection of strength equipment.



2.4 THE NEW PLAY AREA



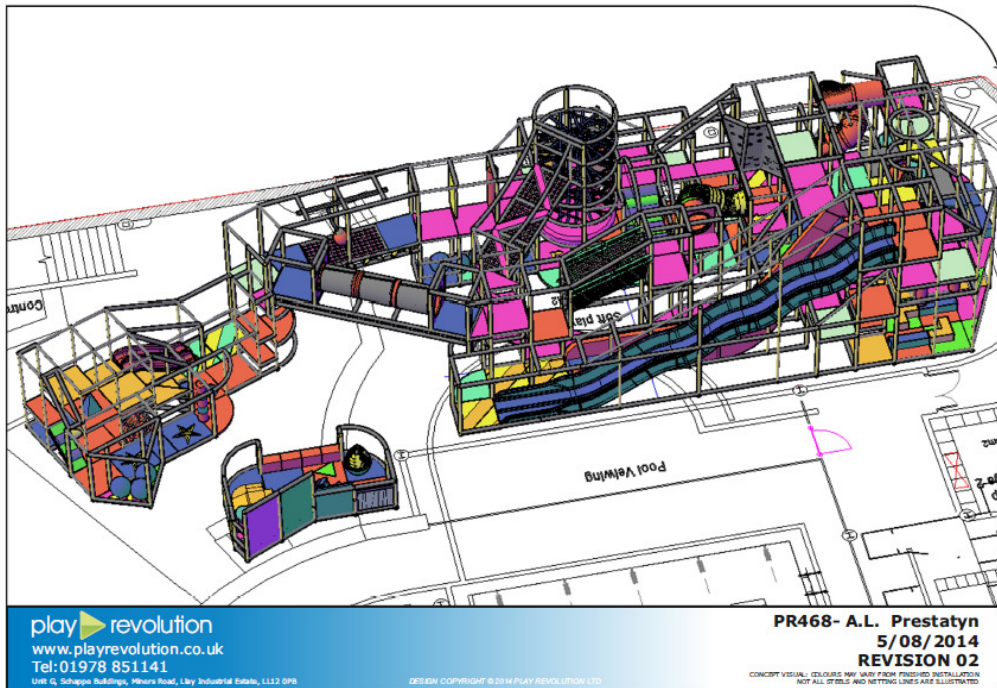
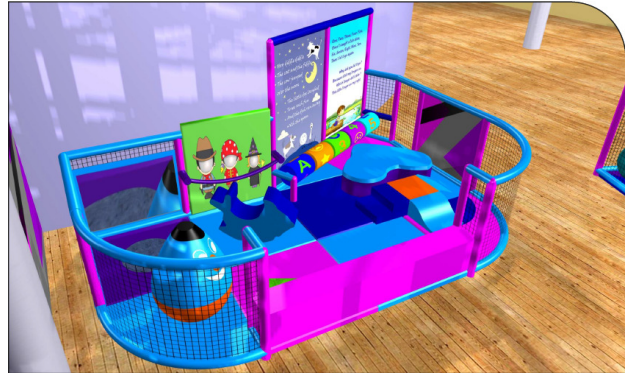
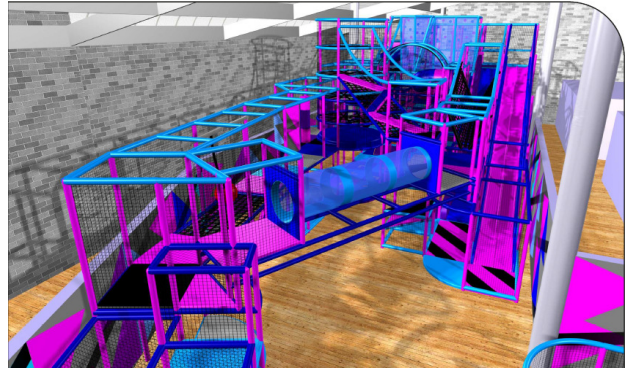
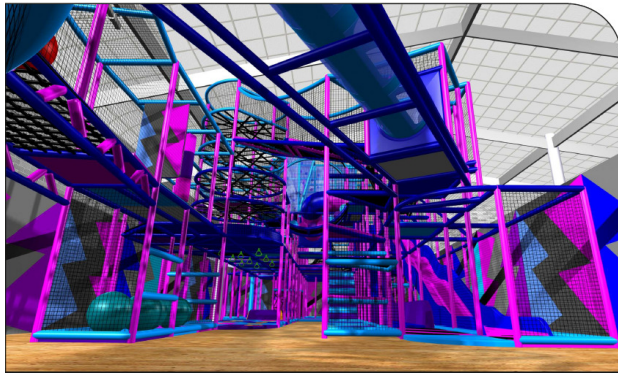
The play system for the Nova Centre has been designed to provide separate junior, toddler and baby play areas that are challenging, exciting, stimulating and rewarding. At its highest point the frame stands at **6.7** meters and provides over **270** square meters of multi- level play space with a playing capacity of around **150** children at any one time. The play frames contains over eighty different play activities including:

- Balance Beams
- Astra slides
- Bungy Tower
- Rope Bridges
- Cargo Nets
- High Level Crawl tube
- Transparent High Level Climbing Wall
- Spiral Tube Slides
- Racing Slide
- Climbing Towers
- Aerial Runways
- Giant Rope Pyramid Climber

Each of the separate play frames have been designed to include the basic elements of children's play behaviour, active, interactive and passive with a greater focus on sensory and tactile items in the toddler and baby area.

The design meets all the British and European Safety standards and all the products used in the installation will be in accordance with EN1176 / EN1177 safety standards.

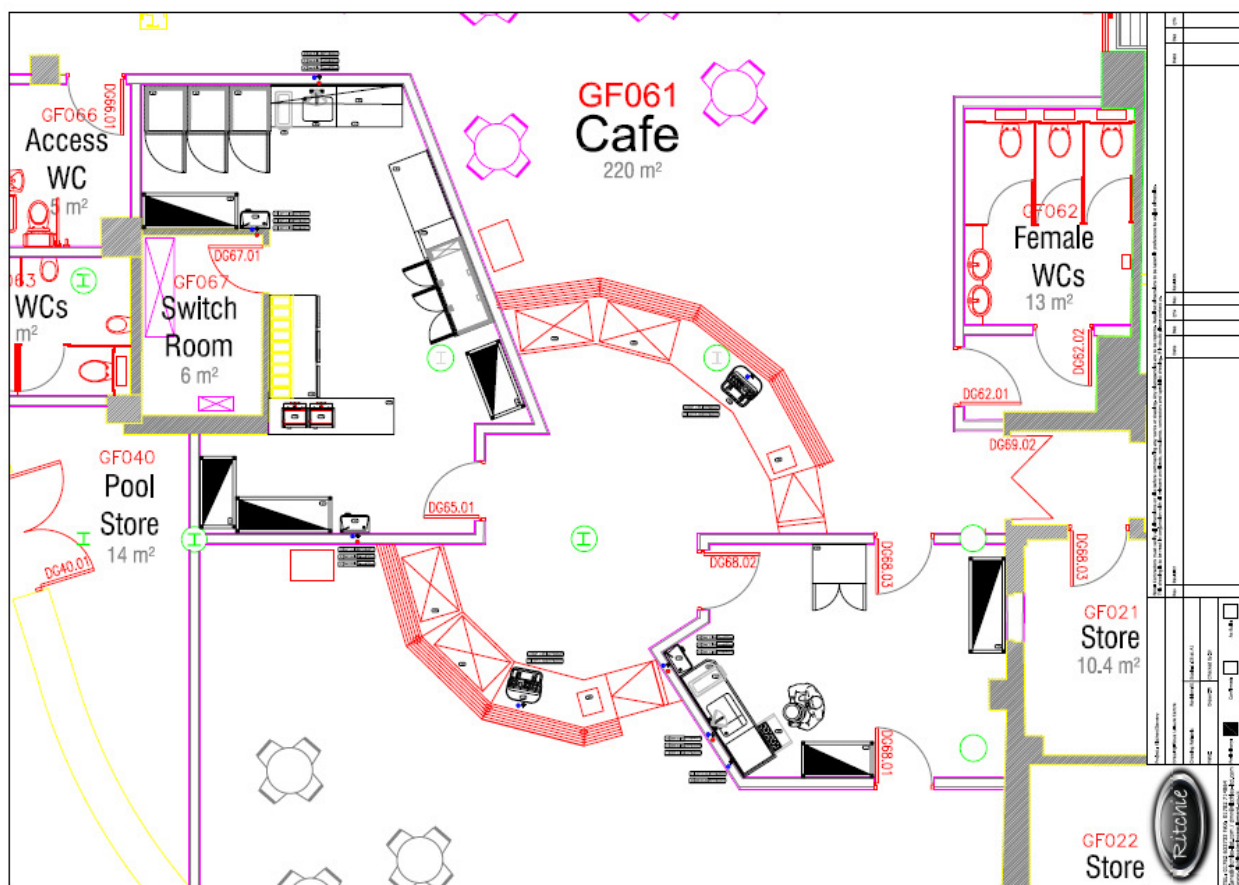
NB: The capacity for the play and café space due to fire regulations has an occupancy capacity of 220.



2.5 THE CAFÉ

The café has been designed with efficiency for the operator in mind. Whilst there are two distinct café offers; play centre & beach front, both offers can be operated by the same staff enabling in quiet times fewer operatives. Cross marketing is also maximised with beach customers having views into the play centre and play centre customers having the opportunity to view lunch and evening dining offers.

The design is indicative at this stage as the final operator model is being developed, which is hoped will be by a third party operator guaranteeing the revenue as shown in the business model of £0.00 in year 1 and £37,000 from year 2 onwards. Alliance Leisure commissioned Just Solutions to carry out an external feasibility on the options for a catering offer which is attached and shown in Appendix 4.



Costs to include:

Counter @ £36,650

Racking Freezers, work tables, wash hand basins, sink, dishwasher. Sandwich grill / toaster @ £11,420

Install @ £2,500

2 x coffee machines @ £6,000

Catering crockery @ £5,000

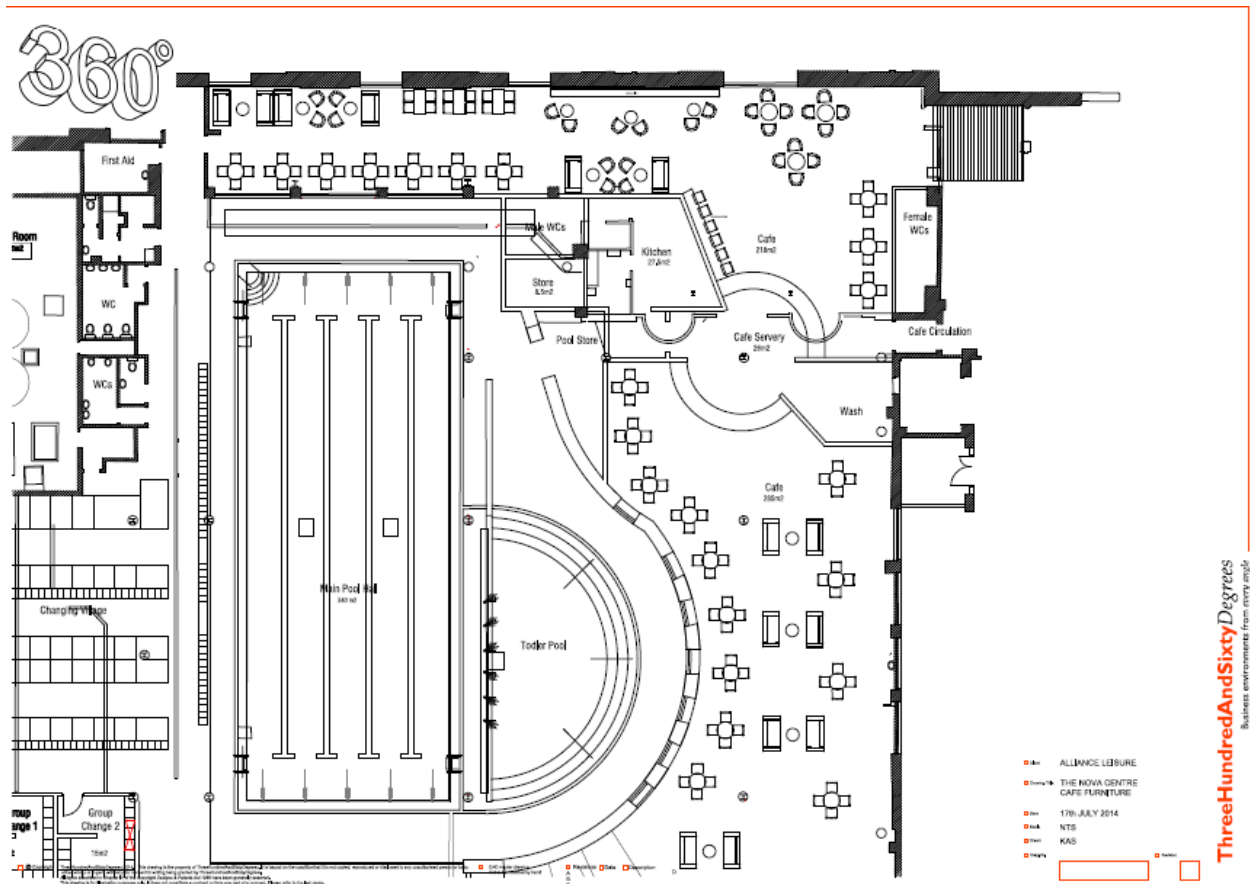
Total cost = £61,570

2.6 THE VILLAGE CHANGING AREA

The new changing area for the pool offers both group changing for schools and a village style cubicle arrangement for individual customers and families. Staff will be able to view the changing area from the pool to ease supervision at busy times. An accessible changing room is provided along with a pre and post shower area, male and female toilets and a first aid room.

2.7 FURNITURE

An indicative furniture layout and cost has been provided which will be further developed with the catering operator. Both areas offer both soft seating as well as tables and chairs and cater for over 150 covers inclusively.



The furniture in the beach front café is a mixture of the following chairs with associated tables and coffee tables:

				
52	6	6	26	1

Cost = £19,950

The furniture in the beach front café is a mixture of the following chairs with associated tables:

	
52	8

Cost = £8,100

Additional internal furniture costed includes for:

- Baby high chairs x 10 @ £500
- Reception sofa's x 4 @ £2,100

Additional External summer furniture as the current sockets are obsolete costed includes:

- 4 x parasols with bases @ £1,000
- 4 x rattan chairs plus rattan table @ £450 (8 sets = £3,600)

2.8 SIGNAGE

The signage schedule has been developed with IS Group who were commissioned to deliver The Ruthin Project. The same branding will be utilised to ensure consistency throughout DCC leisure facilities. The current schedule includes for:

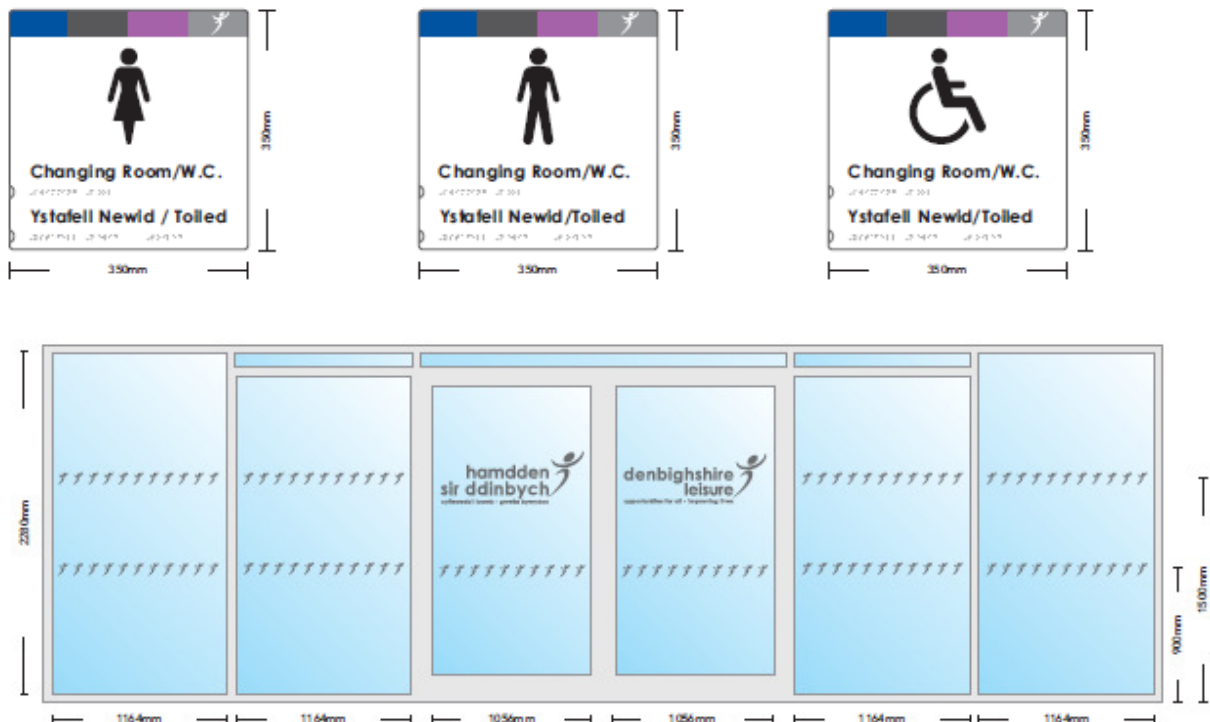
External Signage:

- Centre name on the dark clad spine wall @ £2,900 (if illuminated = £4,600)
- Centre name above the main entrance door @ £1,100
- Entrance sign for the beach café @ £850
- External install to include equipment & access survey etc @ £3,800

Internal Signage:

- Room Identifiers x 26 @ £3,380
- Area Identifiers x 10 @ £900
- Directional x 4 @ £1,200
- Pool Depth x 5 @ £200
- Opening Hours x 2 @ £600
- Window manifestations (Main entrance / café / pool) @ £3,000
- Café Servery x 2 @ £1,500
- Internal installation @ £1,900

Examples shown below:



3. NEXT STEPS

Step 1: Full design meeting on September 11th 2014 to go through:

- room data sheets
- costs
- value engineering options
- freeze design
- freeze costs

Step 2: Present scheme to MAG (September 11th 2014 - evening)

Step 3: Finalise the business case and funding by 12th September 2014 ready for SIG

Step 4: SIG report on 22nd September 2014

Step 5: Prepare Council report for 7th October 2014

Step 6: Post approval contracts to be agreed and signed (October 2014)

Step 7: ALS enter into contract with its development partners to deliver the scheme

Step 8: Mobilisation (November 2014)

Step 9: Construction

Step 10: Nova Centre opens (July 2015)

NOVA OPERATING FORECAST - Amended PB Costs as @ 4/9/14

APPENDIX 3

		DCC Projections				
		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
NOVA CENTRE - NET OPERATING COST/(SURPLUS)		£68,223	£6,477	-£11,785	-£17,093	-£22,382
TOTAL EXPENDITURE		£984,349	£977,834	£1,002,000	£1,025,500	£1,045,311
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
0924	TRAINING - COURSE FEES	£1,000	£1,020	£1,500	£1,530	£1,750
0931	ADVERTISING FOR STAFF	£200	£0	£0	£0	£0
0191	DUTY OFFICERS	£73,910	£76,123	£78,450	£80,711	£83,097
0311	RECEPTIONISTS	£52,674	£53,893	£55,358	£56,561	£56,010
0651	LEISURE ATTENDANTS	£159,298	£162,871	£167,146	£170,675	£171,037
0761	RELIEF/CASUAL	£34,034	£34,377	£34,721	£35,068	£35,419
0781	INSTRUCTORS	£69,340	£70,034	£70,735	£71,442	£72,157
TOTAL PREMISES COSTS		£219,364	£230,792	£243,618	£257,235	£271,700
1211	REPAIR & MAINT. - CONTRACTORS	£12,660	£12,775	£13,605	£14,501	£15,472
1411	UTILITIES	£123,000	£130,348	£138,186	£146,546	£155,468
1511	PREMIUMS - EXTERNAL	£5,000	£5,150	£5,305	£5,464	£5,628
1531	N.N.D.R.	£74,704	£78,439	£82,361	£86,479	£90,803
1811	CLEANING MATERIALS	£4,000	£4,080	£4,162	£4,245	£4,330
TOTAL TRAVEL & TRANSPORT COSTS		£200	£204	£208	£212	£216
2814	CASUAL USERS - MILEAGE	£200	£204	£208	£212	£216
TOTAL SUPPLIES & SERVICES COSTS		£89,649	£63,840	£65,584	£67,385	£69,246
3071	GEN. EQUIP. - PURCHASE	£43,905	£30,965	£31,998	£33,063	£34,163
3922	OFFICE COSTS	£1,600	£1,661	£1,725	£1,791	£1,860
3924	PUBLICITY & MARKETING	£7,500	£2,000	£2,060	£2,122	£2,185
4031	TELEPHONES	£10,150	£2,163	£2,176	£2,190	£2,203
4111	STAFF INSURANCE	£2,357	£2,428	£2,501	£2,576	£2,653
4231	SUBSCRIPTIONS - GENERAL	£6,637	£6,948	£7,272	£7,614	£7,971
TOTAL INCOME		-£744,069	-£836,653	-£879,081	-£907,889	-£932,989
9321	RETAIL SALES	-£10,000	-£10,250	-£10,506	-£10,769	-£11,038
9332	VENDING MACHINES	-£15,000	-£15,525	-£16,068	-£16,631	-£17,213
9412	STUDIO/FUNCTION SUITE	-£18,000	-£20,000	-£22,000	-£24,000	-£26,000
9515	FEES - SWIMMING POOL	-£107,817	-£109,974	-£112,173	-£114,417	-£116,705
951B	SWIMMING LESSONS (Incl School)	-£144,010	-£151,110	-£155,407	-£159,519	-£163,656
9528	PLAYZONE	-£175,000	-£200,000	-£210,000	-£220,000	-£226,000
9536	FITNESS	-£256,242	-£274,794	-£297,926	-£307,554	-£317,377
9711	RENTS - GENERAL	-£18,000	-£55,000	-£55,000	-£55,000	-£55,000
TOTAL FINANCING		£284,680	£284,680	£284,680	£284,680	£284,680
8000	PLAY & FITNESS EQUIPMENT - PB	£57,694	£57,694	£57,694	£57,694	£57,694
8000	BUILD - PB	£226,986	£226,986	£226,986	£226,986	£226,986

APPENDIX 4

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.

APPENDIX 5

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.