

Report To: Cabinet

Date of Meeting: 17th July 2012

Lead Member / Officer: Councillor Huw Jones

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

Title: Ruthin Leisure Centre Development Proposal

1. What is the report about?

1.1 The report outlines the design and construction proposals for Ruthin Leisure Centre and demonstrates the affordability of the scheme.

2. What is the reason for making this report?

2.1 A decision is required by Cabinet to approve a £1.3 million development of sports and leisure facilities at Ruthin Leisure Centre. By virtue of the Council's Constitution, any capital expenditure exceeding £1 million must be approved by Cabinet.

3. What are the Recommendations?

3.1 That Cabinet approves the proposals for a £1.3 million development of PE and leisure facilities at Ruthin Leisure Centre / Ysgol Brynhafryd.

4. Report details.

4.1 In January 2012, Leisure, Libraries & Community Development appointed Alliance Leisure Services Ltd 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 would provide financing options that could fully fund any proposal without the need of utilising the Authority's capital programme. This would be based on the payment of a monthly fixed fee over an agreed period of time made affordable from revenue created by the new facilities.

4.2 The development partner would manage the project from concept to completion providing feasibility studies identifying and addressing all the costs. The development partner would provide project management services and act as the principal contractor coordinating the design, construction, commissioning and handover of the completed project. Denbighshire's Leisure Services Department would continue to have operational control but would have continued operational support from the development partner.

- 4.3 Our first priority has been the development of Ruthin Leisure Centre. This centre is located on the grounds of Ysgol Brynhyfryd and the site shares its sports facilities with the school during term time. The school has approximately 1300 pupils. The site consists of a 25 metre swimming pool, a small all weather pitch, sports hall, gymnasium, small fitness room and a number of grass pitches. The centre is open from 7.30am – 10.00pm Monday to Friday and 10.00am – 4.30pm at weekends.
- 4.4 Over the years Leisure Services has developed and refurbished a number of fitness suites across the portfolio. This has allowed the service to attract significantly more members and generate increased income. We currently have over 1750 members on direct debit paying between £22.50 and £29.50 per month. In order to increase our membership levels we need to continue to invest in our facilities.
- 4.5 Ruthin Leisure Centre has comparatively poorer facilities than the majority of our other leisure centres. Our design brief to Alliance Leisure was to provide details and costs associated with the design and construction of a fitness facility and dedicated changing area. The brief also asked them to consider creating a new reception entrance and associated viewing area for the swimming pool and the development of a full size all weather pitch. (Appendix 1) The site currently has just 40 members paying by direct debit. Other sites that have undergone a similar level of investment such as Denbigh and Rhyl significantly out perform Ruthin. Rhyl currently has 694 members and Denbigh has 544.
- 4.6 Alliance Leisure as part of their feasibility exercise commissioned the services of FMG Consulting. They found the core catchment area based on 12 minute drive to be approximately 11,400 adults and 1,090 young people (10 – 17). They estimated the latent demand (desire currently not being satisfied) for improved fitness facilities at Ruthin Leisure Centre to be 679 adults – this is the total number of members they feel the centre could achieve. The site currently has 40 members which compared to the latent demand demonstrates that the site it is significantly under performing.
- 4.7 Although the feasibility exercise suggests that there is a latent demand of 679, we feel that it would be more prudent to base our business case on a membership of 475. This level of membership would not only cover the costs of the development but would also cover the costs of a new all weather pitch. The 435 extra memberships required to support this development will come from across the leisure centre portfolio and will not be just focused on Ruthin.

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

- 5.1 This project contributes directly towards supporting the Corporate Priority of Modernising Education through provision of and improvement to the quality of the learning environment at Ysgol Brynhyfryd. The facility would play a role in achieving the Health and Well Being, Community Safety, and Children's and Young People themes of the community strategy. DCC vision states that:-

- We will invest in our schools in order to sustain high standards of educational attainment to meet the needs of pupils and the wider community and the economy.
- People across the County will take responsibility for their own health and well being, they will be fully aware of the benefits of taking regular exercise and eating well. More adults and young people will participate in sport and physical activity.
- There will be a range of sports activities for all age groups to help us stay fitter and healthier and we will offer a high standard, year round set of attractions and activities.

5.2 Our Service plays a key role in delivering the outcomes of the BIG Plan specifically outcome 1 helping older people lead independent and fulfilled lives and outcome 6 of ensuring people in Denbighshire have healthy lifestyles. Our Leisure Strategy sets out our vision and commitment to improve access to high quality settings in which to enjoy leisure activities. One of our key actions within this strategy is to continue to invest in the health and fitness facilities at our leisure centres in order to improve the quality of provision for both our school PE and community.

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

6.1 Indicative costs of £1,287,000 have now been provided by Alliance Leisure Services Ltd for this whole development. This project will be based on affordability and sustainability. Leisure, Libraries & Community Development will be required to acquire this money through both prudential borrowing and finance through our development partner. Our framework is based a maximum of 75% gap funding which means that we are contracted to borrow at least 25% of the overall costs through Alliance Leisure Services Ltd but can find the other 75% through capital contributions or prudential borrowing through the Authority. The benefits of having this opportunity to gap fund is that currently the Authority can borrow a rates between 1.6% and 3.4% depending on the term. This is far more competitive than the rates currently available through our development partner.

6.2 The site currently has 40 members. Our business case will be based on 475 therefore we will need to attract an additional 435 members across the service. This equates to an additional annual income of £106,140 NET based on the average NET individual membership cost of £244 per year.

6.3 The income for the existing all weather pitch at Ruthin Leisure Centre is approximately £16,000. Again, from experience of our other all weather pitches in our portfolio we have set an income target of £28,000 NET. This means that we would expect an additional income of £12,000 per year.

6.4 In our first year we have projected an extra 435 new members which would give us the 475 members outlined in the business case (Appendix 2). This would amount to an annual income of £106,140 on memberships and combined with the £12,000 additional income from the AWP a total of

£118,140. This increased income would be used to finance the borrowing levels required to deliver this project.

- 6.5 In summary, the income levels projected by this development are approximately £118,140 per year. The expenditure on borrowing is forecast at £115,583 resulting in a surplus of £2,287 per year. There will be no increased staff costs as a staff structure is already in place and the service will be moving resources from other areas of their business to meet this anticipated increase in demand. New technology in our fitness suites will also assist to drive down costs. Where once we had staff carrying out tasks our systems can now develop individual exercise programmes, monitor performance and offer advice and guidance. There may however be some costs associated with increased energy consumption / NNDR although this will potentially be offset by a number of energy efficiency measures currently being undertaken at the site.
- 6.9 The latent demand identified by Alliance Leisure Services through their consultants identifies the potential for the fitness suite as 679 members. We have based our forecasts on a maximum of 475. If we achieve this 679 membership level as suggested, the service would generate a further £49,776. This surplus would contribute to making further corporate efficiency savings if achieved. This approach of growing the business has allowed the service to generate £500,000 of savings in the last four years.

7. What consultations have been carried out?

- 7.1 The proposal has the full support of our Lead member, Councillor Huw Jones and Ruthin Member Area Group. The proposal and business case has been approved by Strategic Investment Group subject to Cabinet approval. Ysgol Brynhyfryd's Governing body and Modernising Education also support the development which will have positive outcomes for PE provision at the high school.

8. Chief Finance Officer Statement

There are always risks in investing in new ventures of this type.

The proposals for the redevelopment appear to be based on reasonable assumptions for the increase in membership. The service has demonstrated that similar investments at other sites have produced a significant increase in memberships and income. The development partner has a track record of delivering similar projects and their payments are dependent on achieving income targets.

Given the position with the Council's capital plan this represents the only real opportunity that the service has to invest in the site.

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

9.1 Our development partner, Alliance Leisure Services Ltd will provide a fully costed proposal that the Authority will assess on the suitability and merits of the scheme. If approved, they will provide a fixed cost for the scheme which under the call off contract will be the capital sum the Authority will need to finance. There will be a small contingency built into the programme but any deviations from the agreed capital sum will be borne by Alliance Leisure Services Ltd. Under the framework agreement Alliance Leisure are also committed to driving up our membership sales in line with agreed targets. They would provide sales and marketing teams at no cost to the service in order to meet these targets. Monthly finance payments would be withheld if these targets are not achieved. Alliance also allows the option of payment holidays whilst building the membership. In addition, Leisure also has income reserves set aside to support the business during the membership sales drive.

10. Power to make the Decision

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