

Cabinet Report Witham Leisure Centre – Design Options Agenda item 8ii
--

Portfolio Area:	Health & Well Being
Report Presented by:	Cllr Lady Newton

Background Papers:	Business Case Version 1.01 – 18 th April 2009 Cabinet Report – July 2009 Strategic Leisure Report – September 2009 Cabinet Report – October 2009 Cabinet Report – February 2010 Strategic Leisure – Business Plan Commentary, March 2010
---------------------------	--

Corporate Implications:	Please refer to table at end of report
--------------------------------	--

Options:	Detailed in this report
-----------------	-------------------------

Risks:	<ul style="list-style-type: none"> • The existing Bramston Sports Centre swimming pool received circa £200k remedial repair work which necessitated a six week closure to the public and Maltings Academy in 2008. Consultant engineers have indicated to Council that the main structure of the pool hall should remain secure for approximately 5 years. • The project needs to be aligned with that of the Academy new build on the site in Spinks Lane. Construction of the new Witham Leisure Centre is expected to take at least 18 months from receipt of planning approval. • It is likely that consultancy, planning and build costs will escalate if these projects are not closely aligned.
---------------	---

Executive Summary

In December 2008 Cabinet agreed to hold discussions with the Academies Enterprise Trust (AET) and Essex County Council regarding the re-provision of leisure facilities on the Bramston site, and that an options paper would be presented to Cabinet regarding the continued provision of leisure facilities within Witham and the district.

A report was presented to Cabinet on the 30th March 2009 and there was agreement that a high-level Business Case and design options for a replacement pool in Witham should be prepared for Cabinet consideration. Members subsequently requested that a more detailed report should be prepared in order to assist them with their decision on design requirements. This report was prepared by specialist consultants Strategic Leisure in September 2009 and was considered by Members at the October 2009 Cabinet meeting.

Results of the public and stakeholder consultation demonstrated that, whilst the majority of feedback was very positive, concerns were expressed regarding the omission of a sports hall. It is acknowledged that a sports hall will not be included in the footprint of this building due to site limitations; however a substantial sports hall facility is to be included on the Spinks Lane Sports Academy site and will be available for use by clubs. An additional Sports Hall facility with space for four badminton courts is available at the Rickstones Academy site in Conrad Road, Witham and it is our understanding that this facility will continue to be available to local clubs.

Other facilities requested by Members to be considered as a result of the consultation process included an additional Squash Court (taking the total number to three, two of which will have a moveable wall),

Sauna/Steam room, a moveable floor in the smaller pool, a Crèche and a Free Weights area in the Fitness Suite.

At a Cabinet meeting held in February 2010 Members agreed that a detailed Business Case should be commissioned from specialist consultants in order to provide details of capital/revenue costs and projected income.

Note: Members are requested to note that costs associated with the production of this detailed Business Case will be met by the Academies Enterprise Trust.

Decision

1. That Members agree a project scope from the information provided, to enable the detailed design phase to commence;
2. That Members commission specialist consultants to prepare a fully costed facility design for further consultation;
3. That Members authorise additional capital funding, subject to approval of the project scope.

Background Information:

This report is based on the Standard Option agreed at February 2010 Cabinet together with cost estimates for Additional Options which Members requested at that meeting, following feedback from the consultation process.

Members are advised to exercise a degree of caution with the financial data provided by specialist consultants for this report. The report provides information for Members to help identify an appropriate 'mix' of facilities for the proposed Witham Leisure Centre which will support the detailed design and planning phase of the project.

1. Standard Option:

The Standard Option being considered in this report consists of:

- 25m x 13m (6-lane) deck-level swimming pool with 50 spectator seats
- Additional learner pool (approximately 13 x 13) with access for people with disabilities
- 70 -75 station fitness suite with *Free Weights area and dedicated changing facilities
- Two dance studios
- Two squash courts with a moveable wall enabling them to open into a studio/dance space
- Two small treatment rooms for physiotherapy/beauty treatments etc
- Café/shop area as part of a larger reception area

*Members are asked to note that specialist consultants were unable to extract the capital cost of the Free Weights area from the Fitness Suite estimate shown above. The cost of the Free Weights has therefore been included in the Fitness Suite estimates.

2. Additional Options:

The additional options for consideration as additional 'mix' facilities are:

- Moveable pool floor (3.3m depth) in learner pool tank
- Wet suite including sauna/steam room
- Additional Squash Court
- Two/three small treatment rooms for physiotherapy/beauty treatments etc
- Crèche

3. Supporting Papers:

Specialist consultants Strategic Leisure were engaged by the Council to provide a number of indicative cost and design options for presentation to the October 2009 Cabinet to enable the project to progress. This initial paper was well received and subsequently a Detailed Business Case was commissioned by Members and the Academies Enterprise Trust in February 2010. The results of this paper have acted to inform this Cabinet report, to form the basis of a high level build specification, and to give an indication of the project revenue and capital costs.

Members are requested to review the supporting paper 'Business Plan Commentary' prepared by the specialist consultant, which is attached to this report. This background information provides detailed clarification on how estimated revenue costs for the report were determined.

4. Table 1 - Summary of total estimated Income and Capital Cost by facility for the Standard Option:

Estimated Capital Build Costs provided by specialist consultants Franklin+Andrews are gross, and include all fixtures and fittings. Equipment for the Fitness Suite will be procured on a lease basis.

(Please refer to Background paper "Strategic Leisure Detailed Business Case" for supporting information)

Facility/Element	Year 1 £s	Year 2 £s	Year 3 £s	Year 4 £s	Year 5 £s	5 Year Total £s	Estimated Capital Build Cost £s
Swimming Income (both 25m x13m & 13m x 13m pools)	360,684	369,701	378,943	388,417	398,127	1,895,872	4,501,000 (Combined Swimming Pool & learner Pool)
<i>Of which income from swimming lessons is:</i>	105,839	108,484	111,197	113,977	116,826	556,323	Not applicable
70 -75 station fitness suite (inc "Free Weights" area).	347,079	422,104	438,282	447,500	452,794	2,107,759	795,000
2 Dance Studios.	42,459	48,714	52,508	55,033	56,922	255,642	786,800
Café/Shop	82,585	84,130	85,130	85,670	85,962	423,477	181,900
2 Squash Courts (including income from non-squash hire)	27,000	27,675	28,367	29,076	29,803	141,921	171,266 (Estimated)
Total	859,807	952,324	983,231	1,005,698	1,023,610	4,824,671	6,435,966

It should be noted that all revenue costs are gross. There may be some marginal additional costs for staffing and maintenance.

Table 2 – Summary of Revenue Budget (Ref 1.22 of Strategic Leisure Business Plan):

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Income	859,807	952,324	983,231	1,005,698	1,023,610
Total Expenditure	1,090,869	1,120,605	1,161,435	1,192,744	1,224,858
Operating Profit (Loss)	(231,062)	(168,281)	(178,204)	(187,046)	(201,248)
Sinking Fund	100,000	100,000	100,000	100,000	100,000
Profit (Loss) inc Sinking Fund	(331,062)	(268,281)	(278,204)	(287,046)	(301,248)

Table 3 - Additional Options:

Estimated Capital Build Costs are gross, and include all fixtures and fittings.

Facility/Element	Year 1 £s	Year 2 £s	Year 3 £s	Year 4 £s	Year 5 £s	5 Year Total £s	Estimated Capital Build Cost £s
Estimated (additional) income from movable floor	30000	30000	30000	30000	30000	150,000	324,224
1 Additional Squash Court	3000	3075	3151	3231	3311	15,768	85,633 (Estimated)
Wet Suite including Sauna & Steam Room	15,655	20,109	21,053	21,579	21,863	100,259	23,500
2 Treatment rooms	10,000	10,000	10,000	10,000	10,000	50,000	64,723
Crèche Facility	<i>Please refer to item 1.34 of Strategic Leisure Business Plan</i>						

5. Additional External Works:

The above estimated build costs were prepared for the Council by specialist consultants Franklin+Andrews. Some additional capital costs have been identified since the previous Cabinet report in February 2010 as follows:

- We now understand that Sport England is insisting that the existing hard courts, which will be removed during construction of the new facility, will have to be re-provided on the Spinks Lane site. The cost of re-provision has been estimated by specialist consultants as £139k.
- We have also been made aware that works will be required to the proposed car park area (landscaping and remodeling) which have also been estimated as £139k.

6. Contingency Fund:

It is appropriate at this stage of the project to agree the inclusion of a contingency fund to the overall capital cost. This is considered normal practice on any professionally managed project and a figure being the equivalent of between 10%-15% of the overall projected Capital Cost is advised. The purpose of this “reserve” fund is to avoid delays by covering the costs of any unforeseen circumstances or changes in project scope.

7. Project Management Arrangements and anticipated costs:

During the early stage of this project, between 6 – 9 months, it is considered essential that the engagement of a project management specialist continue for approximately 3 days per week (22.4 hours) input at a senior manager grade. Subject to how the project progresses, it is likely that the hours will be extended to full-time up to completion of the works.

It is also estimated that a further £150k expenditure on external specialist consultants will be required to complete the detailed design and planning phase, and to prepare the formal planning application.

8. Facility Management:

Members will be aware that we have been in discussion with the Academies Enterprise Trust (AET) since 2008 regarding their interest in managing the new facility. Officers will now open up detailed discussions with the AET to ensure that community access is maximized and that the service provides value for money. This potential management arrangement will be one of a number of delivery models which Members will want to consider for delivery of leisure services within the community.

9. Facility Mix and overall costs:

Choices now need to be made with regard to the Standard and Additional Options shown below:

- a. Estimated Capital Cost for the Standard Option, including additional costs for replacement of hard courts and car park area is:

£6,714,354

- b. Estimated Capital Cost for the Standard Option (all facilities in (a) above) plus additional options for a moveable floor for learner pool, 1 additional squash court, Wet Suite, and 2 Treatment Rooms is:

£7,212,434

Note: these figures do not include the 10%-15% contingency fund as recommended in paragraph 6.

10. Comparative Capital Build Costs:

- **London borough of Barking & Dagenham:** £19m regeneration project community facility including 25 metre swimming pool, wall climbing and martial arts.
- **Darwen Leisure Centre, Lancashire:** £12.7m sport and leisure facility. 25metre x 8 lane main pool, moveable floor in small pool, 80 station fitness suite and multi purpose studio, and sauna, steamroom and treatment area.
- **Matlock, Derby:** £12m for new sports centre including a swimming pool, fitness centre and a café.
- **Harlow:** £25m Community Leisure Centre including 8 lane main pool, learner pool, 300 spectator capacity, sports hall, 3 fitness studios, four squash courts, health spa, daycare nursery, lounge and café.
- **Basildon Sporting Village:** £38.1m project which includes a 50 metre pool, a swimming pool with moveable floor, fitness suite, regional gymnastics centre, and 5 a-side football pitches.

Corporate Implications				
Financial:	Estimated capital costs are provided in this report. Estimated revenue costs are also included in the Business Plan Commentary, which is attached to this report.			
Legal:	Contractual issues with existing leisure operator to be determined. Service level agreement will need to be negotiated with new leisure operator.			
Equalities & Diversity:	No issues identified at this stage.			
Customer Impact:	This project presents an opportunity to significantly improve leisure provision in Witham.			
Environment & Climate Change:	It is intended that this facility will comply with BREEAM Very Good ratings.			
Consultation/Community Engagement:	Local Committees	Yes	Partners	Yes
	Public	Yes	Staff	Yes
Key Decision:	Yes			
Public/Private Report:	Public			
Officer Contact:	Russell G Everard			
Designation:	Head of Enterprise, Culture & Leisure			
Ext No:	2582			
Email:	russell.everard@braintree.gov.uk			

Business Plan Commentary – ‘Standard Option’

- 1.1 As requested by Braintree Council’s Leadership Group, following the production of our first draft Business Plan and Commentary, this report accompanies the redrafting of the business plan to reflect the ‘Standard’ option as was presented to Cabinet by Council officers.
- 1.2 This report complements the original Business Plan and Commentary and has been informed and guided by the same underlying principles and assumptions. It should be noted that at this very early stage of the process, the subtle variations and differences in income and expenditure are extremely hard to predict with accuracy.
- 1.3 We have endeavoured to produce an accurate and realistic plan based on all available intelligence and cannot be held accountable for achieving the performances set out within.
- 1.4 The ‘Standard’ Option is based on the following facility profile:
- 25m x 13m (6-lane) deck-level swimming pool with 50+ spectator seats
 - Additional learner pool tank (13 x 13m) at approx 1m depth
 - 70 station fitness suite with dedicated changing facilities
 - Café/shop area as part of a larger reception area
 - Two squash courts
 - Two good sized dance studios
- 1.5 This purpose of this paper is to highlight the differences between this option and that already presented to the Council. Where there are no changes from the original Business Plan, we have made no additional comment. Additionally, we have shown the potential implications of the additional options as follows:
- Movable floor in second pool tank
 - Wet suite including sauna, steam room etc.
 - Additional squash court with movable wall to accommodate some additional space
 - Treatment rooms for physiotherapy/beauty treatments etc
 - Crèche

Assumptions and Inputs

Opening Hours

- 1.6 Unchanged – all as previous.

Pricing

- 1.7 Unchanged – all as previous.

Summary Budget

- 1.8 The table below shows the key budget implications. It should be noted that these figures are based on the core assumptions figures shown which EXCLUDE VAT.
- 1.9 As the table shows, based on the assumptions as presented in the model, it can be seen that the facility is projected to return an operating loss of £231,062 in the first year, reducing to £168,281 in Year 2 and then £178,204 in Year 3. It should be noted that these figures do not include an allowance of a £100,000pa sinking fund which we would recommend.

Witham Leisure Centre
Business Plan – ‘Standard’ Option

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Income	859,807	952,324	983,231	1,005,698	1,023,610
Total Expenditure	1,090,869	1,120,605	1,161,435	1,192,744	1,224,858
Operating Profit/(Loss)	(£231,062)	(£168,281)	(£178,204)	(£187,046)	(£201,248)
Sinking Fund	100,000	100,000	100,000	100,000	100,000
Overall Profit/Loss	(£331,062)	(£268,281)	(£278,204)	(£287,046)	(£301,248)

Sensitivity Analysis

1.10 Summarised as follows:

Worst Case	Income	Expenditure	
YEAR 1	£781,642	£1,199,956	-£418,314
YEAR 2	£865,749	£1,232,666	-£366,916
YEAR 3	£893,847	£1,277,579	-£383,732
YEAR 4	£914,271	£1,312,018	-£397,747
YEAR 5	£930,554	£1,347,343	-£416,789
			-£1,983,498
Best Case	Income	Expenditure	
YEAR 1	£945,787	£991,699	-£45,912
YEAR 2	£1,047,557	£1,018,732	£28,825
YEAR 3	£1,081,554	£1,055,850	£25,704
YEAR 4	£1,106,268	£1,084,312	£21,955
YEAR 5	£1,125,971	£1,113,507	£12,464
			£43,036

Detailed Budget

- 1.11 Squash income (for two courts) has been set at £27,000 – based on the £25,000 income from Bramston, plus an additional consideration based on improved take up of the new facilities. Unlike the first draft, we have not shown this as a flat rate (which was to reflect fluctuations in use), but have assumed this will be subject to the same inflationary increase of 1.5%.
- 1.12 Secondary spend has still been calculated at £0.20 per head on catering, and £0.05 per head on merchandise (based on throughput). The catering spend is reflective of an improved food offering (not just vending machines) on a profit share basis, assuming that the café operation would be outsourced to a franchise (e.g. Costa coffee) so staffing costs would not be incurred. Further detailed review of this operation is required. The income from secondary spend has been reduced from the first draft, as overall throughput is lower. The totals are as follows:

Year 1	2	3	4	5
82,585	84,130	85,130	85,670	85,962

Membership Income

- 1.13 The health and fitness membership income will be one of the core income streams. We have assumed that membership rates would still be priced at £40 per month.
- 1.14 Due to the downsizing of the gym, the loss of the wet suite area, and the likely implications of the loss of waterspace, we have therefore worked on the basis of achieving fewer members (900 members to

Witham Leisure Centre

Business Plan – ‘Standard’ Option

begin with based on retaining all current members of Bramston – currently c.900). Sales in the first year would be 120-90 memberships per month and attrition at 5% rather than 4.5%. The total peak figure for members is assumed to be approximately 1,700, rather than closer to 1,900 as before.

1.15 The membership income is therefore as follows:

Year 1	2	3	4	5
£389,538	£470,819	£490,791	£502,534	£509,717

Casual Income

1.16 Casual income on health and fitness suite assumed the same (although this is contrary to current policy which does not allow casual use). Health suite income removed.

Swimming Income

1.17 Total swimming income will be reduced in comparison with original facility due to the removal of movable floor in second tank which will reduce income from groups through the week and is more likely to present programming challenges. Adult swimming lessons have been reduced, but juniors kept generally at the same level. Casual swimming has been kept at the same level, although this is also likely to fall.

Throughput

1.18 As noted previously, overall throughput will be reduced. Estimates as follows:

Throughput	Year 1	Year 2	Year 3	Year 4	Year 5
Health & Fitness	108,754	114,932	118,933	121,095	122,263
Casual H&F Income/Studios	34,836	34,836	34,836	34,836	34,836
Swimming	186,750	186,750	186,750	186,750	186,750
Estimated Total	330,340	336,518	340,519	342,681	343,849

Staffing Structure

1.19 Staffing structure is generally unchanged, as the original proposals were quite ‘lean’ in terms of staff. The revised plan allows for one fewer fitness instructor (although this might be a marginal decision) and the removal of one part time lifeguard to reflect less use of the second pool in the evenings particularly.

1.20 The total projected staff costs, based on a total of 33 staff (full and part time), and reflecting industry benchmarking and information from the Council on current staff salaries, are approximately £569,405.

Equipment Leasing Costs

1.21 Leasing costs have been reduced in line with requiring fewer pieces of equipment. This is projected to cost £47,163 in year one.

Income/Expenditure Summary

1.22 We have summarised the total income and expenditure, broken down by operational area, as follows:

Income	Year 1	Year 2	Year 3	Year 4	Year 5
Health & Fitness	389,538	470,819	490,791	502,534	509,717
Swimming	360,684	369,701	378,943	388,417	398,127
Squash	27,000	27,675	28,367	29,076	29,803
Secondary Spend	82,585	84,130	85,130	85,670	85,962
Total Income	859,807	952,324	983,231	1,005,698	1,023,610

Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5
Staffing	569,405	586,487	604,081	622,204	640,870
Premises	313,363	320,363	337,574	345,302	353,261
Admin and Marketing	60,896	62,723	64,605	66,543	68,539
Supplies and Services	47,641	48,622	49,350	49,864	50,266
Support Costs	50,000	51,500	53,045	54,636	56,275
Contingency	49,565	50,910	52,780	54,196	55,647
Total Expenditure	1,090,869	1,120,605	1,161,435	1,192,744	1,224,858

Implications of Additional Options

- 1.23 As highlighted, we have given some consideration to the impact of additional options. As has been previously noted to Council officers and Members, it is extremely difficult to accurately ‘separate’ revenue costs, as these are generally shown as part of the facility as a whole.
- 1.24 The additional staffing, maintenance and utilities costs attached to very small elements of the facility mix – an additional squash court for example – are not easily calculated. Equally, the positive impact on membership levels by including certain facilities in isolation, such as the wet suite, cannot be unequivocally presented.

Swimming pool – movable floor

- 1.25 The proposed upgrade to the swimming pool (including the movable floor) would effectively return this facility to the specification in our original business plan. The improved flexibility of this water space would have a clear impact on income – potentially in the region of £30,000 pa. Our original assumption on swimming income is:

Income	Year 1	Year 2	Year 3	Year 4	Year 5
Swimming	389,951	399,699	409,692	419,934	430,433

- 1.26 However, as previously noted, because we have slightly reduced the number of lifeguards to take account of the lower level of usage, this would be incurred as an additional cost.

Free weights area

- 1.27 Free weights are an integral part of any balanced health club offering. We have assumed that free weights must be provided regardless, and are within the fitness suite income/expenditure stream.

Witham Leisure Centre

Business Plan – ‘Standard’ Option

Wet suite including sauna/steam room

- 1.28 As previously noted, the provision of these facilities at private clubs is a common and expected feature. While it is difficult to calculate the precise ‘value’ of them individually (other than some limited casual use), the provision of these facilities enables the operator to maximise membership revenue.
- 1.29 If we assume that their contribution to the overall membership package is worth £3 per month per head, the impact is shown below:

Income	Year 1	2	3	4	5
£40 pm (with sauna/steam)	£323,792	£383,029	£401,017	£411,033	£416,445
£37 (without sauna/steam)	£308,137	£362,920	£379,963	£389,454	£394,582
Difference	£15,655	£20,109	£21,053	£21,579	£21,863

Additional squash court/hire space

- 1.30 The value of the additional squash court is difficult to quantify precisely, given that no clear indication of demand for either the court, or for the multi-purpose space, has been ascertained. Again, the inclusion of the third court with movable wall matches the original in our first business plan, which showed income of £30,000 per year.
- 1.31 However, in line with the figures presented above, we have this time assumed a 1.5% inflationary increase year on year, with the two courts as comparison, as follows:

Income	Year 1	2	3	4	5
2 courts	£27,000	£27,675	£28,367	£29,076	£29,803
3 courts	£30,000	£30,750	£31,519	£32,307	£33,114
Difference	£3,000	£3,075	£3,152	£3,231	£3,311

- 1.32 In terms of additional revenue costs, there will be additional costs in terms of maintenance/upkeep of the surfaces and lighting, some minor implications in terms of the overall rates, cleaning etc. In terms of staffing requirements, the additional court would not necessitate any additional personnel.

Treatment Rooms

- 1.33 Again, the value of the treatment rooms is difficult to quantify precisely, given that no clear indication of demand has been ascertained. Our initial assumption was for income of £10,000 per year, which translates to £192 per week hire income for both spaces. With regard to revenue costs, the implications of including these rooms are only for a marginal increase in the footprint of the building, with subsequent cleaning, maintenance and rates costs.

Crèche

- 1.34 As we have highlighted previously, common thinking regarding the provision of crèche facilities is that they are typically offered as a loss leader, with the aim of increasing participation among parents, who have somewhere to leave their children while they visit. It is very rare for them to generate a surplus.
- 1.35 If this operation is pursued, it would be necessary to have additional space dedicated for crèche activities (primarily during the day), which could be multi-functional meeting space in the evenings. The operation should be outsourced to an external contractor to deliver. Our recent experience suggests

Witham Leisure Centre

Business Plan – ‘Standard’ Option

that only a larger scale facility and operation has a realistic chance of breaking even – the proposed Witham centre does not have the critical mass (or in likelihood the population with the disposable income) to make this venture sustainable.

- 1.36 We would suggest that unless a very clear and quantifiable demand is shown, together with the identification of a company to deliver, that this option is not a viable one.