

Business Case – Investment Proposal Monmouth Leisure Centre

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1. Executive Summary

This Business Case seeks approval to proceed to replace the pool and provide further enhancing facilities at Monmouth Leisure Centre.

Monmouthshire County Council, in June 2015, received a report concerning the replacement of the current pool at Monmouth Comprehensive and Leisure Centre site and to explain and agree the business case to deliver this facility.

The original proposals on the Monmouth campus included the replacement of the pool facilities within the new school, this proposal has since been revisited. Industry specialists were asked to look at the Monmouth Leisure offer and to give some high level views on redevelopment options taking into consideration local demographic profile and market competition.

Their conclusions suggested a better site layout and which would see the main school building incorporating a sports hall rather than a swimming pool. The swimming pool would be better sited within the Leisure Centre and positioned where the current sports hall is.

Monmouthshire County Council commissioned a feasibility on the redevelopment options for Monmouth Leisure Centre. The feasibility analysed the local demographic profile, leisure competition and put forward potential development opportunities. The feasibility then provided a 5 year business forecast, which can be viewed alongside plans and costs to determine the commercial strength and affordability of the proposed refurbishment.

In order to take the concept forward, MCC in January 2017 agreed to commission the detailed design to provide cost certainty for the whole project. The cost to undertake this was £204,050. This included the commissioning of an independent assessment of cost, delivery and quality, as is standard in projects of this kind.

The total project cost for the refurbishment of MLC is £7.404m, which includes all construction costs, equipment, a 700 metre squared temporary structure, professional fees and a client held contingency of £90k.

The development of the centre is programmed to take 55 weeks on a dual use site that is also undertaking a school rebuild has recommended an initial 31 week shut down. Week 32 could see part of the centre re-opened (play, cafe, health & fitness) with the exception of the pool that would open at the end of the build programme.

The previous proposal included a report from Max Associates who undertook a detailed analysis of local leisure provision and competition, the local demographic profile, along with a detailed 5 year business forecast based on the proposed facility mix that could be accommodated within the current MLC. This has demonstrated the potential affordability that the re-developed facilities could support.

The centre is currently subsidised by £82k at an operational site level so the overall improvement to the centre taking this into account is £287k (year 3 onwards). It is anticipated that this would fund prudential borrowing of approximately circa £3.58 million. Additional funding from the S106 agreement is expected to be £985,000 and further funding could become available of £400,000 depending on developments.

The redevelopment of the leisure centre has taken consideration of the adjacent school development. The development of a relationship between the leisure centre and the school will be key to the success of the project.

Significant health and safety issues have been identified which would indicate that it may be in the best interests of MCC and the community to close the site for the whole period of the development.

2. Introduction

Monmouth Leisure Centre (MLC) is currently a dry leisure facility managed in-house by the Council. The pool, which was located in a separate building to the dry leisure facilities closed to the public in March 2016 due to the re-build of the adjacent school.

Historically, Monmouth Leisure Centre was operated on a dual basis with Monmouth Comprehensive School. At present the full details of how the facilities at MLC will be shared with the school is unknown. However, Leisure would agree school usage of the swimming pool for Monmouthshire Schools to deliver the curriculum and that the sports hall would remain the responsibility of the Leisure Centre to ensure community use continues.

The original proposals on the Monmouth campus included the replacement of the pool facilities within the new school, this proposal has been revisited. Industry specialists were then asked to look at the MLC offer and to give some high level views on redevelopment options taking into consideration the local demographic profile and market competition. Their conclusions suggested a better site layout would see the main school building incorporating a sports hall rather than a swimming pool. The swimming pool would be better sited within the Leisure Centre and positioned where the current sports hall is.

Furthermore significant scope for further leisure enhancement was identified and in January 2017, Monmouthshire County Council agreed to commission Alliance Leisure (ALS) to undertake 'detailed design and cost certainty' for the redevelopment on MLC.

3. Strategy

The well-being of the Future Generations (Wales) Act 2015 is a key piece of legislation for Wales, which seeks to improve the social, economic, environmental and cultural well-being of Wales. The project will play a fundamental role in ensuring we improve people's lives through health and well-being, learning to swim programmes and fits in with Sport Wales strategic aspirations, which is that 'Every Child is Hooked on Sport for Life' and the second is for a 'Nation of Champions'.

Departments across Welsh Government and Sports Wales have aims to tackle head on the flat lining levels of sport participation and high levels of inactivity in the country. Through the strategy, the government is redefining what success in sport means, with a new focus on five key outcomes: physical wellbeing, mental wellbeing, individual development, social and community development and economic development. The government has made it clear that funding decisions will be made on the basis of the outcomes that sport and physical activity can deliver.

It is the government's ambition that all relevant departments work closer together to create a more physically active nation, where children and young people enjoy the best sporting opportunities available and people of all ages and backgrounds can enjoy the many benefits that sport and physical activity bring, at every stage in their lives.

The strategy recognises that local authorities have an important leadership role in bringing schools, clubs, health and the private sector together to forge partnerships. With the devolution of public health from the NHS to local authorities, many have started a policy shift that treats ill-health to promoting wellbeing.

As being reflected by the government and Sport Wales strategies, and recognised by local authorities for some time, 'sport' is no longer delivered solely for 'sport' sake and that increasing participation in sport and physical activity and reducing levels of inactivity are key to both local and national government to achieve outcomes in public health (physical and mental), adult social care and education.

4. Financial Implications

Due to the changes of sports provision at Monmouth Comprehensive School, there is an opportunity to redevelop MLC to increase participation and improve the financial viability of the Centre.

Alliance Leisure Services Ltd (ALS) were commissioned by Monmouthshire County Council to undertake a feasibility on the redevelopment options for MLC. The feasibility analysed the local demographic profile, latent demand, leisure competition and put forward potential development opportunities that could be accommodated within the current MLC. The feasibility then provided a 5 year business forecast, which can be viewed alongside plans and costs to determine the commercial strength and affordability of the proposed refurbishment.

4.1 Demographics

To understand the potential usage of any new facilities an assessment of the local population and demographics was undertaken, the key findings were:

- The 45-59 age range is the most prevalent age group in the county with 22.4% of the population belonging to this category;
- The over 85 age group is expected to increase by 153% from 2,714 in 2012 to 6,863 in 2033;
- In June 2012, 79% of the population were economically active (the highest level in Wales) of which 74% were in employment;
- Tourism contributes £163.5 million to the local economy;
- Approximately 2.1 million people visit Monmouthshire each year;
- Compared to many parts of the valleys of south Wales this remains a relatively affluent area;
- 16,076 people live within 12 minutes' drive of MLC, within this catchment the largest Mosaic segment is group C Rural Solitude followed by group D Small Town Diversity; and
- The Local Development Plan under its Policy S2 makes provision for 739 new dwellings 2013-2021 in Monmouth.

4.2 Latent Demand

A latent demand report was undertaken to assess the total demand within a 12 minute drive time of MLC, which shows that in total the demand for health and fitness within the catchment is 1,132. With existing membership at 683, there is scope to improve and extend the gym to 50-60 stations to maximize the membership base and achieve latent demand projections (more detailed in shown in appendix 1).

4.3 Competitor Review

Overall, the competitor review revealed that there is limited competition for all types of leisure facilities within the area and there are no national fitness chains or budget gyms within the town. More commercial leisure competition such as 10 pin bowling and indoor climbing are over half an hour's drive from Monmouth.

4.4 Current Budgeted Costs

The total income and expenditure for 2016/17 is and the budget for 2017/18 is shown in table 1.

Table 1 – Total Costs 2016/17 and Budget 2017/18

Income	Actual 2016/17	Budget 2017/18
Leisure	£247,720	£400,524
Fitness	£196,513	£231,129
TOTAL	£444,233	£631,653
Expenditure*	2016/17	2017/18
Staffing	£409,756	£491,665
Utilities	£74,914	£84,470
Maintenance	£770	£2,794
Other	£70,644	£134,687
TOTAL	£556,084	£713,616
Net Direct Total Deficit	-£111,851	-£81,963

*In the 2017/18 budget column excludes the 150k contribution for the loss of income from the removal of the pool. This was also budgeted for in 2016/17. These costs also exclude central support costs but it is not envisaged these will materially change.

4.5 Assessment of Current Performance

Income from general swimming and swimming lessons over the past two years has reduced. Over the last two years of the pools operation casual admissions had also dropped. This may be a result of the knowledge that the pool was closing with customers choosing to use other facilities ahead of the closure. Whilst some attempt has been made to deliver swimming lessons from a nearby school pool, the closure has resulted in the cancellation of nearly all swimming lessons, approximately 30 have transferred to Abergavenny Leisure Centre.

The annual income per fitness station achieved is £4,572 which is below the industry benchmark of £8k - £12k per station. The centre has 19.5 members per station, which is at the lower end of industry benchmarks of between 18-26 members per station. There is clearly opportunities for improvement. Further details are provided in appendix 2.

4.6 General Business Case Assumptions

Due to the significant change in facilities, the business plans represent the total projected income and expenditure that the new centre will generate. The financial performance is derived from an analysis of the likely income and expenditure streams in the first five years of operation as a result of the new developments.

In analysing the potential income and expenditure streams, the current pricing structures, competitors, the existing centre’s current performance, demand and supply analysis have been assessed including latent demand for health and fitness and facility capacities.

A staffing structure has been designed to meet the demands of the centre developments and reflects existing salary bands. These operational costs do not reflect any cost of capital for the build costs or the initial equipment inventory costs and it is assumed that year 1 is costed on 2017 prices. No increases for inflation have been included within the projections at this stage. The business plans are based on the assumption that the Council continues to operate the facilities in-house and the mix of activities shown in table 2.

Table 2 – Recommended Facility Mix

Proposed Facility Mix
A new entrance and reception area
A 25m 5 lane pool with village changing accommodation and viewing
A small Spa offer with treatment room
A large adventure play facility with café, the café also serving the main leisure centre
A sensory room
Meeting / party room
Health & Fitness Expansion to include:
<ul style="list-style-type: none"> • Toning • A 50 – 60 station fitness suite • Dedicated spin studio • Dedicated dance studio • New fitness changing

The business plan assumes that as part of the school and leisure centre development sufficient parking will be provided for leisure centre users and this will remain free of charge for those participating in an activity at the centre.

4.7 Income and Expenditure Projections

Table 3 provides a summary of the income and expenditure projections for the first five years once the new centre developments have been completed. These projections take into account the current performance of the centre, the local population and competition. The opening hours of the centre are assumed to be as per the existing opening hours. A summary of all the other assumptions made in the business case calculations are shown in Appendices 3 – 7.

Table 3 – Five Year Income and Expenditure Predictions for New MLC

SUMMARY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
INCOME					
Health & Fitness	328,552	390,473	414,460	418,448	418,362
Toning	76,292	73,363	66,584	67,487	67,541
Studios	20,873	20,873	20,873	20,873	20,873
Swimming	309,821	326,127	326,127	326,127	326,127
Spa	53,367	72,450	93,797	93,797	93,797
Squash	10,523	10,523	10,523	10,523	10,523
Adventure Play	125,886	125,886	125,886	125,886	125,886
Secondary	130,346	142,704	144,926	145,446	145,445
Miscellaneous	21,563	21,563	21,563	21,563	21,563
TOTAL INCOME	1,077,223	1,183,962	1,224,739	1,230,150	1,230,117
EXPENDITURE					
Salaries	690,361	690,361	690,361	690,361	690,361
Utilities	83,050	83,050	83,050	83,050	83,050
Insurance	13,750	13,750	13,750	13,750	13,750
Repairs & Maintenance	24,915	37,373	49,830	49,830	49,830
Cleaning	34,500	34,500	34,500	34,500	34,500
Equipment	24,551	24,551	24,551	24,551	24,551
Other Supplies	2,693	2,960	3,062	3,075	3,075
Advertising & Marketing	10,386	5,920	6,124	6,151	6,151
Communications	5,386	5,920	6,124	6,151	6,151
Other Administration	5,178	5,178	5,178	5,178	5,178
Costs of Sales	65,173	71,352	72,463	72,723	72,723
Risk / Contingency	26,931	29,599	30,618	30,754	30,753
TOTAL EXPENDITURE	986,874	1,004,514	1,019,611	1,020,074	1,020,073
SURPLUS / DEFICIT	90,349	179,448	205,128	210,076	210,044
2017/18 Budgeted Deficit	-81,963	-81,963	-81,963	-81,963	-81,963
Improvement on Current performance	172,312	261,411	287,091	292,039	292,007

By building a new swimming pool, removing the sports hall and adding more commercial leisure activities such as adventure play, it is projected that MLC could achieve a direct cost surplus position, reaching £210k in a mature year. This is an improvement of circa £292k on the existing financial deficit position.

4.8 Project Capital Costs

Following approval by Council in January 2017, ALS have now undertaken 'detailed design & cost certainty' for the redevelopment of the site, based on the option presented in June 2016.

4.8.1 Capital Costs

ALS is the leading 'Development Partner' in providing new and innovative facilities for today's communities. Their approach is rooted in understanding what is affordable, relevant to the community in question and what will prove to be commercially viable. ALS has delivered over 100 projects and invested over £100m into public sector facilities and has an enviable track record in delivering developments on time and within budget, with many of their clients undertaking more than one development with them.

The project includes the redevelopment of the existing building and the addition of a new extension. The MLC Centre project also involves the refurbishment of the existing building by;

- adding a five lane swimming pool and changing village within the existing sports hall and changing areas
- a spa area including a sauna, steam room and Jacuzzi
- a new entrance, reception & toilets
- café / servery
- offices
- party rooms and multi-use rooms
- a double height glazed extension to house adventure play
- a completely redesigned first floor to provide a new 50 station gym, toning area, spin studio, multi-use fitness suite and changing rooms
- alterations to hard landscaping to provide new disabled parking spaces and an overflow car park within the existing tennis court area.

A project of this nature has required a detailed understanding of MCC's aspirations, co-ordination of all key stakeholders, and the planning of construction phasing and logistics to allow for the safe delivery of a complex project with many challenges.

The building and its services will be designed in accordance with national and local Building Regulations and Planning Policy Guidelines. All structural and civil engineering design works have been carried out in accordance with latest codes, the Building Regulations and any planning legislation/conditions.

The total indicative project cost for the refurbishment is £7.404m, which includes all construction costs, equipment, a 700 metre squared temporary structure, professional fees and a risk contingency of £90k. The project costs are made up of:

- The Contractors Proposals (ISG)
- ALS Fixtures, fitting and Equipment costs
- ALS Project Management and delivery

The total cost is demonstrated in table 4.

Table 4 – Indicative Project Costs

Project Costs	Amount £	Amount £
Temporary Works	10,000	
Extension	324,317	
Pool Hall	1,035,866	
Main refurbishment & Alterations	2,845,506	
Service connection	50,000	
Prelims	697,881	
Risk Allowance	79,422	
Design Fee's	331,233	
OHP	295,582	
Sub Total		5,669,807
Fitness equipment	268,891	
Toning	59,950	
Adventure Play	128,742	
Catering	9,500	
Furniture	31,350	
Signage	17,200	
Office equipment	4,098	
FF&E	94,950	
Dressing the site	13,750	
Development Support	48,625	
Sub Total		677,056
PM & Delivery		317,343
Principle Designer		7,500
Framework Fee		27,152
Contingency		200,000
MCC Risk Allowance		90,250
Total		6,989,109
Temporary Structure*	415,430	
Total		7,404,539

**Worst case scenario based on raising the structure up to 2 metres.*

A construction programme and phasing plan been developed that allows works to progress efficiently, which subject to meeting health and safety requirements, could result in parts of the leisure centre re-opening at 31 weeks, with the pool area to be opened at 55 weeks.

Projected timescales for the project are shown in Appendix 9, which are subject to the results of the Flood Consequences Assessment (FCA). Commencement date is likely to be between October and December 2017.

4.8.2 Community Benefits

MCC part way through the 'cost certainty' detailed design phase requested that ALS explored options around 'community benefits'. MCC have provided the community benefit target/aspirations for this project and are detailed in appendix 8.

The contractor, ISG has an exemplary track record of meeting local authority targets and performance with regard to community benefits and within the UK Leisure Framework which this scheme is to be delivered under ALS did make reference to being accommodate a number of these such as:

- Work experience & mentoring
- Shared apprenticeship schemes
- College / school open day events
- Site visits / school visits

ALS with its team has indicated that it will endeavour to achieve the targets set out within the DCC framework and aim to improve on this to meet MCC's aspirations. It is felt that the Jobs Created target and Community Initiatives are the only ones where at this point a clear cost can be shown, however this is likely to add a further 170k to the project. At this stage no community benefit costs are included within the project costs due to affordability reasons.

4.9 Capital Funding

The original proposals were based on an approved a budget for the replacement pool of £5.168 million. This was to be funded by £4 million from within the Future Schools envelope plus a further £1.168m prudential borrowing to be afforded by the Leisure service through increased income generated by the new facility.

The total indicative revised project costs now total £7.404 million, however the revised proposal does seek to include an enhanced leisure provision to increase the capacity to generate income and therefore fund some of the capital investment required.

The capital costs of building a new swimming pool, removing the sports hall, re-provision of a temporary sports hall and adding and enhancing more commercial leisure activities such as adventure play, fitness suites, toning and spinning studio is estimated to be £7.404 million. Additional income through additional usage of the new improved facilities by year 3 would improve the revenue position by 287k, this extra income could fund £3.580m of the initial investment through prudential borrowing. The remaining funding (£3.824m) would then be through a mix of S106 funding (£0.985m), Welsh Government funding (1,928m) and additional borrowing (£911,539).

4.10 Other Benefits

The development of the MLC is meeting the Council’s wider outcomes as well as delivering a financially viable solution. It is recognised that investment into sport and physical activity will have added value over and above the commercial returns set out in this business case.

The new build will assist greatly with developing the current learn to swim programme which aims to increase the number of children being able to swim 25m at key stage 2.

The new design with enhanced facilities will provide greater programming opportunities allowing more access and encouraging greater daytime use.

5. Health and Safety

A construction programme and phasing plan has been developed that allows works to progress efficiently, which subject to meeting health and safety requirements, could result in parts of the leisure centre re-opening at 31 weeks, with the pool area to be opened at 55 weeks. Detailed discussions with MCC have highlighted the following issues

Due to the construction being on a school site, with construction already underway in building the new school it is felt that from a health and safety perspective the 31 week shutdown would be the preferred route as it will:

- Ensure the safety of children attending school
- Reduce the number of people walking near the site and across logistic / delivery routes
- Reduce vehicular traffic to the site
- Allow the car park to be used for contractor parking
- Allow for a one way system for vehicle deliveries and allow large lorries to manoeuvre

If the centre were to stay open it is felt there would be:

- Disrupted parking and access at times due to deliveries and heavy machinery on site
- Noise, dust, odours and vibration would be unavoidable at times

6. Risks

Table 5 provides a brief outline of some of the key risks to the project. The full Risk Register forms part of the overall Contract Proposals.

Table 5 – Summary of Major Risks

Risk (Event)	Cause	Effect(s)	Controls	Comments / Notes	Risk Owner
Welsh Water consents - There is a risk of Welsh water refusing permission for the drainage connection as detailed in the proposals and / or refusing the trade effluent consent / and or refusal of the construction dewatering system discharging into the existing	The risk is caused by: Welsh Water not granting permissions	If the risk occurred the effects would be : Programme delays and costs for redesign / agreement of proposals, wholesale refusal would affect the development	Proposals for the final drainage solution have been submitted to approval which remain out-standing. Proposals for the dewatering still need to be submitted however the issue is the volume and discharge rate cannot be advised as they are unknown		MCC

Risk (Event)	Cause	Effect(s)	Controls	Comments / Notes	Risk Owner
drainage or limiting the volumes					
Out of hours security	The risk is caused by: As the centre is closed and ISG have no site presence out of hours there may be attempted break ins resulting in loss of materials and goods and / or damage to the project	If the risk occurred the effects would be: Delays in programme and associated costs plus the cost of re work to replace the lost elements and / or repair damage. Additional cost incurred by the addition to the project of security by way of manned guards and / or CCTV as appropriate	IsG will look to secure the project by way of secure timber hoardings / heras fencing (as appropriate) with lockable gates, the site compound will be secured by solid hoardings / heras fencing (as appropriate) with lockable secure gates. All cabins will be secured out of hours		MCC
Delivery of Community Benefits guidance aspirations - There is a risk that the level of community benefits required cannot be delivered	The risk is caused by : Delivery of the guidance aspirations not being achieved due to the practicalities of delivery within the confines of the scheme	If the risk occurred the effects would be: None delivery of guidance aspirations	Elements of the guidance aspirations can be delivered within the confines of the scheme but there are a number that are impractical due to the size, value and nature of the scheme	We would suggest that as the scheme is procured via the DCC framework we agree to endeavour to deliver the requirements of the DCC scheme enhanced where reasonable by the MCC additional requirements	MCC
Working in close proximity to existing live school - Site restrictions associated with the flow of school pupil traffic and associated logistics	The risk caused by - Access routes, deliveries and parking along with a general Health and safety management issue	If the risk occurred the effect would be : disruption to project	Liaison with school required to agree the proposals included in the ISG Construction management plan.		ISG
Working in close proximity to new school contractor – Site restrictions associated with new build school in close proximity	The risk caused by access - routes, deliveries and parking	If the risk occurred the effect would be : disruption to project	Construction Management Plan to be produced in agreement with New School Contractor highlighting the parking, delivery, unloading strategy and such in line with agreed restrictions	Note: Should the access agreements and such like included in the Construction Management Plan be varied by any party other than ISG then the associated risk would be MCC	ISG / MCC

Risk (Event)	Cause	Effect(s)	Controls	Comments / Notes	Risk Owner
Increase in cost of materials	The risk is caused by inflation	If the risk occurred the effects would be: Overall increased costs of the project	Supply chain to inform ISG of potential cost increases, client team to decide if material is to be purchased in advance and stored off/on site	Note: ISG risk is based on a contract execution July 17 for a start on site August 17	ISG
Increase in cost of materials	The risk is caused by inflation	If the risk occurred the effects would be: Overall increased costs of the project	Supply chain to inform ISG of potential cost increases, client team to decide if material is to be purchased in advance and stored off/on site	Note: MCC carry the risk should be above dates not be achieved due to MCC sign off failure	MCC
Location of services - The location of existing cross site services.	The risk is caused by: Route of services and possible damage during excavation	If the risk occurred the effects would be: Programme delays with resultant costs plus the cost for diversions	Utility surveys have been undertaken identifying a requirement to divert a fibre optic cable and the car park lighting supply cable. The cable identified that supplies the Interserve site facility we are advised will be removed by others prior to our commencing on site. There is a potential that the SW drainage could clash with the corner of the new extension resulting in a diversion (although it is understood this is not adopted).	Note: A provisional allowance (MCC risk) of £50,000 is included in the Contract Sum for provision of new services, upgrade of existing services and any required diversions	MCC

7. Conclusion

In order to progress the overall project, cost certainty was undertaken, however there is a projected cost of £7.404m for the whole project. There are also some other potential risks (identified in table 5) which may incur extra costs, however these have now been recognised in the client contingency of £90,250.

8. Recommendations

To approve the final scheme and enter into contracts to commence work as soon as possible on order to have works completed by October 2018 based on the best case scenario with commencement of works from October 2017.

Appendix 1 – Analysis of Latent Demand

MOSAIC UK Type	Total Population	Total Health & Fitness Demand
A01 Global Power Brokers	0	0
A02 Voices of Authority	59	1
A03 Business Class	802	33
A04 Serious Money	47	2
B05 Mid-Career Climbers	23	2
B06 Yesterday's Captains	416	22
B07 Distinctive Success	62	6
B08 Dormitory Villagers	520	33
B09 Escape to the Country	395	30
B10 Parish Guardians	781	49
C11 Squires Among Locals	1,531	88
C12 Country Loving Elders	1,671	48
C13 Modern Agribusiness	413	30
C14 Farming Today	702	68
C15 Upland Struggle	2	0
D16 Side Street Singles	866	49
D17 Jacks of All Trades	1,607	72
D18 Hardworking Families	274	16
D19 Innate Conservatives	428	17
E20 Golden Retirement	332	14
E21 Bungalow Quietude	372	16
E22 Beachcombers	154	5
E23 Balcony Downsizers	211	12
F24 Garden Suburbia	71	4
F25 Production Managers	14	1
F26 Mid-Market Families	0	0
F27 Shop Floor Affluence	176	12
F28 Asian Attainment	0	0
G29 Footloose Managers	122	5
G30 Soccer Dads and Mums	482	43
G31 Domestic Comfort	491	52
G32 Childcare Years	135	9
G33 Military Dependants	0	0
H34 Buy-to-Let Territory	0	0
H35 Brownfield Pioneers	73	2
H36 Foot on the Ladder	40	3
H37 First to Move In	40	3
I38 Settled Ex-Tenants	77	3
I39 Choice Right to Buy	525	28
I40 Legacy of Labour	21	1
I41 Stressed Borrowers	712	24

MOSAIC UK Type	Total Population	Total Health & Fitness Demand
J42 Worn-Out Workers	51	1
J43 Streetwise Kids	0	0
J44 New Parents in Need	0	0
K45 Small Block Singles	155	3
K46 Tenement Living	0	0
K47 Deprived View	0	0
K48 Multicultural Towers	0	0
K49 Re-Housed Migrants	0	0
L50 Pensioners in Blocks	44	1
L51 Sheltered Seniors	166	2
L52 Meals on Wheels	101	1
L53 Low Spending Elders	363	14
M54 Clocking Off	66	3
M55 Backyard Regeneration	367	21
M56 Small Wage Owners	0	0
N57 Back-to-Back Basics	0	0
N58 Asian Identities	0	0
N59 Low-Key Starters	0	0
N60 Global Fusion	0	0
O61 Convivial Homeowners	0	0
O62 Crash Pad Professionals	0	0
O63 Urban Cool	0	0
O64 Bright Young Things	0	0
O65 Anti-Materialists	20	1
O66 University Fringe	0	0
O67 Study Buddies	0	0
Sub Total	16,076	849
<i>Add consideration for 25% of Members from outside catchment</i>		283
Estimate of Total Demand for Health & Fitness		1,132
<i>Minus current membership</i>		673
Estimate of <u>Latent</u> Demand for Health & Fitness		<u>459</u>

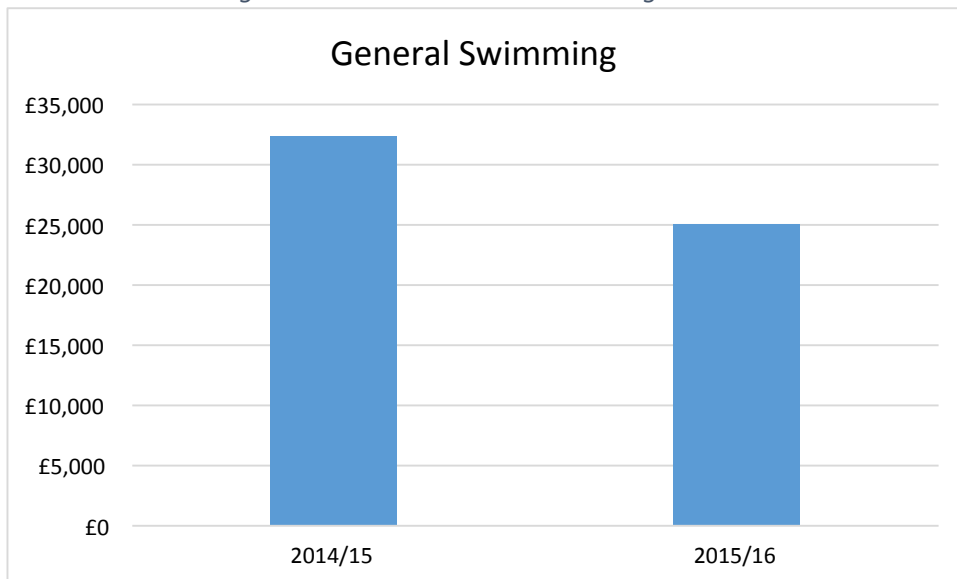
Source: Max Associates Ltd

Appendix 2 – Analysis of Current Performance

Swimming

The pool, which was located in a separate building on the school site, closed in April 2016 due to building works at the school. Until any developments are complete there will be no swimming provision at MLC. Income from general swimming admissions for 2014/15 and 2015/16 is detailed in the graph below. Over the last two years of the pools operation casual admissions have dropped. This may be a result of the knowledge that the pool was closing with customers choosing to use other facilities ahead of the closure. In 2015/16 the swimming pool achieved income of £375 per m2.

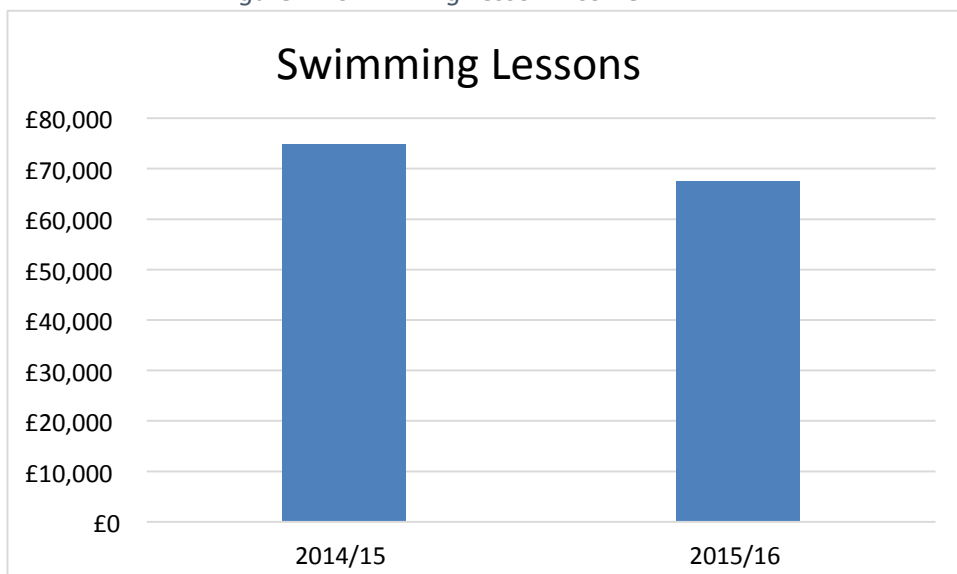
Figure 1 - Current General Swimming Income



Source: Max Associates Ltd

Income from swimming lessons over the past two years is shown in the graph below. As with general swimming income there has also been a drop in swimming lesson income in 2015/16.

Figure 2 - Swimming Lesson Income



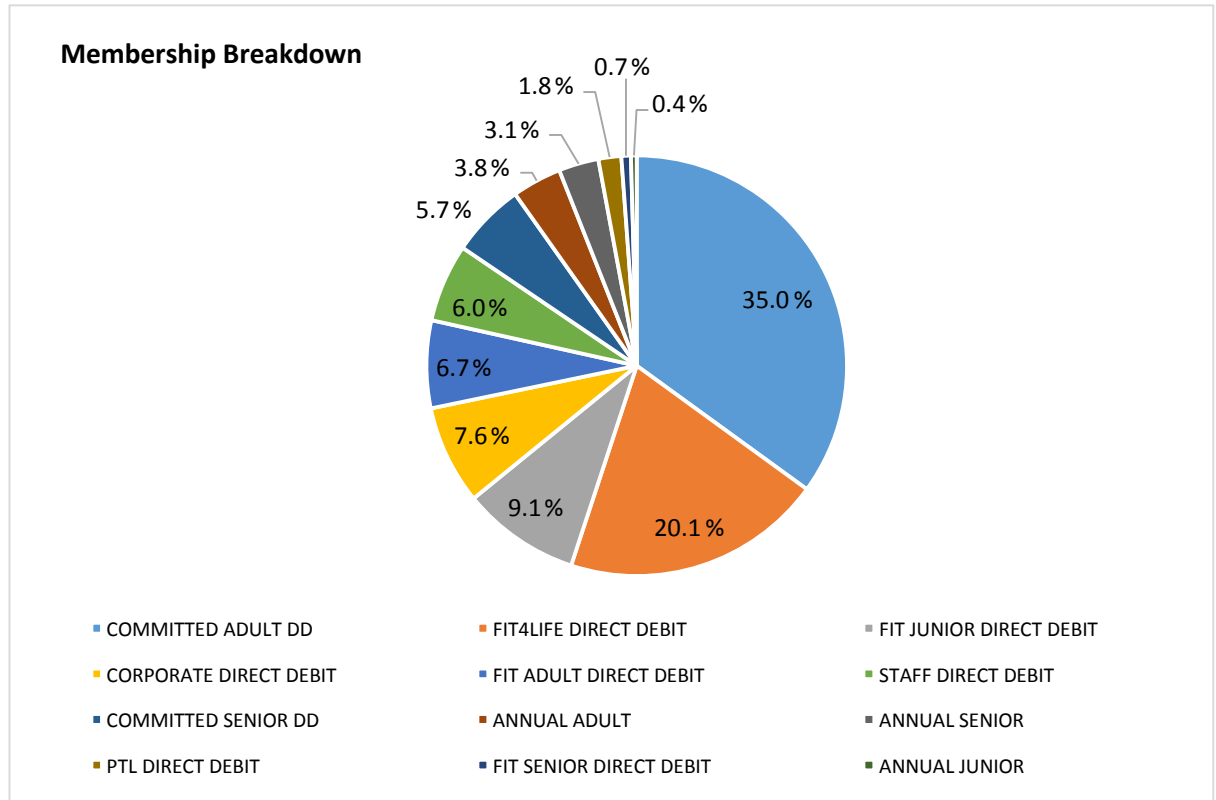
Source: Max Associates Ltd

Whilst some attempt has been made to deliver swimming lessons from a nearby school pool, the closure has resulted in the cancellation of nearly all swimming lessons, approximately 30 have transferred to Abergavenny Leisure Centre. It is currently too early to assess the impact of the pool closure on overall memberships and usage.

Fitness

MLC currently has 623 direct debit members, made up of the following categories:

Figure 3 - Membership Breakdown



Source: Max Associates Ltd

As the chart above shows the largest proportion of members are Committed Adult Memberships at 35%, paying £31.50 per month. The income generated in 2015/16 for fitness memberships was £160,041.

From the membership numbers and membership income shown, the average gross yield to be in the region of £23.43 per member. This is calculated from the total fitness membership direct debit income for 2013/14 of £160k divided by 12 months divided by 683 members, it has then been multiplied by 1.2 to get the gross yield to compare against the list prices.

With the list price of memberships ranging from £15.00 for a junior membership to £37.00 for an Adult Fitness Extra membership, the yield of £23.43 is fairly reflective of the membership breakdown, with just over a third on the £31.50 and 20.1% on the Fit 4 Life and 9.1% junior memberships priced at £15 per month. Only 6.7% pay the headline price of £37.00 per month.

Further fitness income comes from 'Advance Courses' at £23,640 and 'Fit4Life' at £10,506 with the total fitness income for 2015/16 was £209,495. The income per station achieved is £4,572 this is below the industry benchmark of £8k - £12k per station. The centre has 19.5 members per station, which is at the lower end of industry benchmarks of between 18-26 members per station.

Appendix 3 – Business Plan Assumptions - Pricing

The pricing of activities is based on the 2016 price list (as shown below), for new activities this shows the pricing of local competition.

KEY PRICES		Price	Conc
Health & Fitness	Membership Yield	£26.00	
	Toning Membership	£23.75	
	Joining Fee	£15.00	
	Fitness Casual	£5.45	£2.75
	Fitness Induction	£15.00	
	Aerobics	£4.20	£2.75
	Heat Experience / Day	£15.00	
Wetside	Swim Adult	£3.20	£1.80
	Swim Junior	£1.80	
	Swim Family	£8.00	
Leisure Pool	Swim Adult	£3.80	£2.00
	Swim Junior	£2.80	
	Swim Family	£8.90	
Wet General	Lesson Junior	£4.50	
	Lesson Adult	£4.50	
	Party	£80.00	
	Parent & Child	£4.50	
	Aqua / Swimfit	£4.50	£3.80
	School	£56.00	
	Club - Main	£56.00	
Adventure Play	Gala	£65.00	
	Under 1	£1.00	
	Under 5	£3.00	
	5+	£4.50	
	Party exc food	£8.50	
	Party food	£2.50	
	Squash	£5.95	£4.50

Source: Max Associates Ltd

Appendix 4 – Business Plan Assumptions – Income Projections

The income projections for each facility area are detailed in the table below. The significant changes to the centre will result in an improved perception and different profile within the community, resulting in increased usage and tourism visits.

Activity Area	New Developments Projections – Mature Year
General Swimming	<p>It has been assumed that as part of the development of the new pool that community use of the pool would be maximised, however school use would still take place in the hours agreed with the school and at an agreed hourly price, currently assumed to be £56.00 per hour for the whole pool. Maximising community use will be helped by the increased pool size and improved changing facilities. For example we would expect public access for early morning swims, lunch times swims and around any school usage.</p> <p>We have looked at the usage based on term and holiday times.</p> <p>General use of the pool is projected to be 37,668 per annum, this includes open public swim sessions and group sessions such as over 50's and parent and baby sessions.</p> <p>Projected annual income for general swimming is £96k.</p> <p>We have not included any grant for free swimming at present, however we have accounted for usage of those entitled to free swimming, therefore if the grant is still applicable once the new build is complete there will be minimal change to the overall income projected for casual swimming.</p> <p>Total swimming income equates to £975 per m2, which is within industry benchmarks of £500 - £1,200 per m2.</p>
Swimming Lessons	<p>We have assumed that there will be an average of 9 children per lesson with up to 3 lessons taking place at one time in the pool. It is expected that the courses will be operating at 90% capacity.</p> <p>We have also assumed that lessons will run over a 50 week programme to maximise throughput on the scheme.</p> <p>With lessons taking place every weekday evening and Saturday mornings</p> <hr/> <p>It is projected that there will be 972 pupils registered on the swimming lesson scheme. This equates to just under 5% of the 0-14 year old population within a 20 minute drive.</p> <p>This results in annual income of £182k.</p>
Pool Hire	<p>It is assumed that there would be a total of 20 hours hire of the pool each week, made up of schools, clubs and children's parties.</p> <p>Income from pool hire is projected to be £25k.</p>
Spa	<p>Casual spa visits are projected at 3,881 in year 1 increasing to 6,469 visits in year 3.</p> <p>We have assumed a retail sales of 10% of spa income in year 1, increasing to 16% in year 3. This is in comparison to known local authority spa operators.</p>
Health & Fitness	<p>The current monthly membership yield is £23.43, for the business plan projections we have increased this to £26 per member per month.</p>

Activity Area	New Developments Projections – Mature Year
	<p>Following the developments, we believe the centre will be able to focus on the higher priced membership options, particularly, as there are no budget gym options in the town and other competition is priced at £28.95 per month or higher.</p> <p>Attrition has been calculated at 5% per month and it is assumed that the existing membership levels will be retained until the opening of the new facilities.</p> <p>It is projected that in the first year the membership will increase from the existing level of 683 to 950 members and will reach the latent demand projections of 1,132 by year 3.</p> <p>Income from joining fees has been included at £8.5k for fitness memberships.</p> <p>An amount of casual income; £37,875 has been included for casual fitness income.</p> <p>In total, it is projected that the additional gym facilities will generate income of £342k (membership and casual) in a mature year.</p> <p>It is assumed that the new gym area will accommodate c.55 stations, an increase of 20 stations from the existing provision. In a mature year with 1,132 members, members per station equates to 20.5 members per station, which is slightly higher than current performance. Income per station has increased from £4.5k to £6.2k per station.</p>
Toning	<p>A new membership option for toning has been introduced and priced at £23.75, the price of the existing Senior Committed membership.</p> <p>We have projected a total of 280 members in a mature year, with 50 presales, which is c. 5% of the 60-79 population within a 15 minute drive of MLC. This equates to 55% capacity of a 12 station toning facility.</p> <p>With attrition at 5%, annual net income in a mature year is projected to be £67k.</p>
Studios	<p>With the new facilities we have assumed that the class timetable would increase from 28 to 40 classes per week, delivering a total net income of £25,436</p>
Squash	<p>We have assumed that the centre would achieve industry benchmark levels with a total income of £11,164 (£5.5k per court).</p>
Adventure Play	<p>The Adventure Play facility is aimed at under 14's and is intended to offer complimentary facilities to the swimming pool as well as a destination for families visiting the area.</p> <p>Total utilisation is projected to be 45,349 with annual net income of £138k. This usage is expected to come from the 0-14 population within a 30 minute drive (22,940) as well as the families that are part of the 2.1 million tourism visits each year.</p>
Catering	<p>With catering provision to support the swimming and adventure play offer, we anticipate significant improvements in secondary income.</p> <p>It is assumed that the catering will be managed in-house and as such cost of sales and staffing have been included, this results in the catering offer making a small profit each year, however given the nature of the offer the Council may wish to use a known brand to improve perceived value; many leisure centres use the 'Costa Coffee' franchise.</p> <p>Secondary income has been based on:</p>

Activity Area	New Developments Projections – Mature Year
	<ul style="list-style-type: none"> • Income from centre users using the new offer, with an average spend per head of £0.20 for catering and £0.15 for vending. • Adult spectator average spend per head of £1.50 from the adventure play. • Party food income from the adventure play.

Source: Max Associates Ltd

Appendix 5 – Business Plan Assumptions – Usage Projections

The projected usage is detailed in the following table.

USAGE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Health & Fitness	136,123	156,143	164,879	166,422	166,426
Toning	12,011	21,423	25,245	26,888	26,876
Swimming	92,262	97,118	97,118	97,118	97,118
Squash	5,710	5,710	5,710	5,710	5,710
Adventure play	43,082	45,349	45,349	45,349	45,349
Spa	3,881	5,175	6,469	6,469	6,469
TOTAL	293,068	330,918	344,770	347,957	347,949

Source: Max Associates Ltd

Appendix 6 – Business Plan Assumptions – Proposed Staffing Structure

The staffing costs identified within the operational business have been established on a designation-by-designation basis and the FTE's are summarised in the table below.

Designation	Salary	FTE	Total Cost
General Manager	40,057	0.50	27,119
Duty Managers	25,951	3.00	110,084
Clerical Officer	20,138	0.50	13,633
Finance Officer	24,964	0.25	8,450
Receptionists	17,547	2.62	65,046
Leisure Assistants - wetside	17,547	6.58	163,286
Gym Assistants	17,547	3.55	88,181
Adventure Play Assistants	17,547	0.16	4,023
F&B Assistants	17,547	3.22	79,799
Swim Development Officer	36,379	0.25	12,314
Instructors - Swimming	20,400	0.89	25,727
Instructors - Aerobics	32,760	1.08	50,079
Enhancements			42,618
TOTAL			690,361

Source: Max Associates Ltd

Based on the staffing information provided, staff on-costs for NI/training/holiday/sickness have been included for all staff as detailed below.

Staff On Costs	
National Insurance	8.3%
Pensions	21.1%
Sickness & Holiday	6%
Training	3%
Other	3%

Source: Max Associates Ltd

In order to implement an efficient staffing structure it is assumed that the Duty Managers would take on areas of responsibility such as fitness & spa, catering and health and safety/quality. Therefore there is not a requirement for separate posts such as a gym or spa manager.

It is expected that parents will be responsible for their children within the adventure play area and therefore it does not require full time staffing. However, catering staff would have a dual role by monitoring the soft play with regards to cleanliness.

Of the salary bands provided it is assumed a mid-point of each salary band for each of the points. Maintenance staff have not been included and it is assumed that cleaning will be contracted as per current arrangements.

Appendix 7 – Business Plan Assumptions – Other Costs

The assumptions in relation to the expenditure of the centres are detailed below

Activity Area	Expenditure Projections – Mature Year
Secondary Costs of Sales	Cost of sales for catering, vending and retail has been included at 50% of income.
Utility Costs	It is recognised that there will be additional water volume that will increase the cost of utilities, however as a new build the plant will be more efficient than the current provision. We have therefore included utility costs at £25 per m2.
NNDR/Lifecycle Costs/Insurance	<p>No NNDR has been included in the business plan as present.</p> <p>Lifecycle costs have not been included within the operational expenditure, however we would suggest that any surplus following the funding of capital is placed into a lifecycle pot for future replacement of equipment and upgrading of facilities.</p> <p>We have included some insurance costs based on 0.25% of the capital costs.</p>
Repairs & Maintenance	Repairs and maintenance has been included at £15 per m2, which is at the top end of the second quartile of the Sport England National Benchmark. As a wet and dry centre this is a reasonable and realistic level of spend.
Equipment	Equipment costs have been included at a cost of £3 per m2 and total cost of £9.9k
Marketing	We have included a £5k marketing launch cost in year 1 as well as an annual cost of 0.5% of income. We assume that currently some marketing costs sit at a central level, however given the new activities additional marketing will be required.
Profit, Central Costs & Contingency	<p>As the facility is operated in-house and in line with the existing accounts we have not included any profit or central costs.</p> <p>We have included 2.5% of income as risk/contingency.</p>

Source: Max Associates Ltd

Appendix 8 – Community Benefits

After meeting with MCC the community benefit target /aspirations they have for this project are detailed below:

Target area	Metric	Benchmark Value	Example	Reporting	ISG Can provide as part of the contract	ISG (Additional costs required if MCC wish to include)	ISG Comment
Jobs Created (NEET/ LT Unemployed)	Person weeks per £m invested	52	As definition of person and weeks (Please see below)	Quarterly	104 weeks	151k	As per calculations. Risk of not being able to / traffic marshals who are NEET / LT unemployed.
Jobs Created (NEET/ LT Unemployed)	Number of FTE per £m invested (based on 52 weeks provision)	1	Relating the number of weeks into individuals who have been employed i.e. 1 person employed for 52 weeks	Quarterly			Captured above.
Training (including graduates, work placements, pupil placement)	Person weeks of training provided per £m invested	25 (Included in the overall person weeks per £m)	Welsh Graduate engineer sponsored; Welsh Year out student; Work experience	Quarterly			Captured above.
Apprentice-ships	Number of apprentices per £m invested	1 (Included in the overall person weeks per £m)	Relating the number of weeks into individuals who have been employed. Promote use Y Prentis or other shared apprentice schemes	Quarterly			Captured above.
School Engagement (STEM)	Number of Pupil interactions per £m invested	150	School assemblies or individual lessons Assembly with 70 children – 70 interventions. Maths lesson with 30 children – 30 interventions	Quarterly		£2,500	825 pupil interactions = c. 12 assemblies = 1 per month. £200 / assembly to cover supervision and materials.
School Engagement (STEM)	Hours donated per £m invested	100	Wider team involvement – interviews, careers fairs	Quarterly		£2,800	550 hours of school engagement – 40 in a class = 14 hours of engagement with a class of 40 = £200 per hour
Labour Force	Percent of workforce from postcode	30	Use postcode of the project and measure visits to site	Annual			There is not a cost to this labour which will endeavour to do. But there are too many factors affecting our procurement to be able to guarantee this – e.g. H&S record, ability to undertake the works, performance on similar projects, cost effectiveness, ability to pass ISG database requirements to name but a few.

Target area	Metric	Benchmark Value	Example	Reporting	ISG Can provide as part of the contract	ISG (Additional costs required if MCC wish to include)	ISG Comment
Labour Force	Percent of workforce from Wales	60	Use postcode of the project and measure visits to site	Annual			There is not a cost to this providing we can use local labour which will endeavour to do. But there are too many factors affecting our guarantee this procurement to be – e.g. H&S record, ability to undertake the works, performance on similar projects, cost effectiveness, ability to pass ISG database requirements to name but a few.
WG measurement tool	Complete WG measurement Tool	1	Complete on completion of the project and annually	Annual			If this is a paperwork exercise then it will be completed as required however further details are required.
Supply chain initiatives	Percent spend in Wales per project	60	Value of contact and location of supplier. CBME electrical contractor Cardiff postcode £100,000 contract value expressed as percentage	Annual			There is not a cost to this providing we can use local subcontractors which will endeavour to do. But there are too many factors affecting our procurement to be able to guarantee this – e.g. H&S record, ability to undertake the works, performance on similar performance on similar projects, cost effectiveness, ability to pass ISG database requirements to name but a few
Supply chain initiatives	Number and type of materials produced in Wales	2	Welsh Steel, Welsh slate	Annual			If this is only 2 products (rather than 2 x £5.5m = 11) and will include aggregates then this should be achievable
Supply chain initiatives	Value of materials	10m2	£ per tonne (Steel), £ per m square (slate)	Annual			This is unclear but if they are asking for us to confirm the volume per tonne of steel and slate per 10m2 of building, then this could be calculated at the end of the project
Supply chain initiatives	Volume of materials	25m2	£ per tonne (Steel), £ per m square (slate)	Annual			This is unclear but if they are asking for us to confirm the volume per tonne of steel and slate per 10m2 of building, then this could be calculated at the end of the project
Supply chain initiatives	Percent Welsh sub-contractors per project	60	Total number of contractors used with welsh postcode expressed as percentage	Annual			No cost to this providing we can use local subcontractors which we endeavour to do so. But there are too many factors affecting our procurement to be able to guarantee this. – e.g. H&S record, ability to undertake the works, performance on similar projects, cost effectiveness, ability to pass ISG database requirements to name but a few
Supply chain initiatives	Number of supply chain engagements per person	2	Meet the buyer event	Annual		Potential for £4500	If this is 2 meet the buyer events there than the (£5.5m x 2= 11 events) then we can do it, however the issue is until we have commitment from MCC, cannot commit to any suppliers and at the point of MCC committal the majority of the supply chain will be known. There would be not cost for 2 events. Any more would be £500 each.

Target area	Metric	Benchmark Value	Example	Reporting	ISG Can provide as part of the contract	ISG (Additional costs required if MCC wish to include)	ISG Comment
Supply chain initiatives	Use of Sell 2 Wales to advertise opportunities	3	Advise opportunity for subcontractors through Sell 2 Wales opportunities	Annual			There is not a cost to this providing we can use local labour which we will endeavour to do so. But too many factors affecting our procurement to be able to guarantee this—e.g. H&S record, ability to undertake the works, performance on similar projects, cost effectiveness, ability to pass ISG database requirements etc.
Fair payment	Payment within 10 days by client		Audit percentage of payments	Annual			No comment
Fair payment	Payment to sub-contractors within 23 days		Audit percentage of payments	Annual			This would be dependent on the 10 day payment from the client. It is not in accordance with any of our standard terms and conditions so would require a bespoke agreement to be in place for each trade. No cost.
Environmental	Percent waste diverted from landfill	85	Measured from waste transfer advice note	Annual			Providing there are local waste management companies who can commit to this level of waste diverted from landfill this would seem achievable at no extra costs
Environmental	Amount of waste produced tonnes/£m	10	Measured from waste transfer advice note	Annual			Providing demolition and earthworks waste do not form part of calculation then this should be achievable at no extra costs
Community	Community initiatives per project	2	Work with local scout group to repaint hall.	Annual		£9,000	£5.5m x 2 = 11 initiatives. We are willing to assist with say 2 or. community initiatives during the project for no charge (in fact generally we would contribute towards the initiatives) however 11 or would appear excessive and subsequently incur costs (which would vary depending on the scheme = 9 x £1000
Community	Community newsletters per project	2	Letter sent out to residents	Annual	Incl.		
Total Cost of what is achievable if required						c£170k	

Appendix 9 – Next Steps

Step 1: With the requirement of a temporary structure to be erected on the site prior to the commencement of refurbishment it is necessary to submit a further planning application. This planning application requires consultation with NRW, and dependant on the outcome the cost of this application will be either £8,317 (should a Level 2 Flood Consequences Assessment (FCA) be required only) or £13,317 (should a Level 3 FCA be required).

ALS has commenced the process on this element of work and will be able to inform by the end of July 2017 which fee will need to be underwritten and paid by MCC.

Dependant on the outcome of the Level 2 / Level 3 FCA decision will determine the commencement of the planning process, which will then allow planning approval to be sought.

<u>Best case:</u>	<u>Worst case:</u>
Level 2 FCA required. NRW data issued this week. FCA issued this week. Planning Application made w/c 26.06.17 12 weeks planning – 18 th September (best case – reviewed at Planning Committee 05 th September – this is 10 weeks) 5 weeks manufacture and installation = Ready to use 10 th October	Level 3 FCA required. NRW data issued in 10 days. FCA takes 6 weeks Planning Application made w/c 14.08.17 12 weeks planning – 06 th November (reviewed at Planning Committee 07 th November) 5 weeks manufacture and installation = Ready to use 11 th December.

Step 2: MC has a full council meeting on the 27th July 2017 and it will be necessary to gain approval at this meeting for the scheme to commence based on the scenarios discussed above.

The current *indicative* programme is now:

<u>Best case:</u>	<u>Worst case:</u>	
Planning Approval	5 th September 2017	7 th November 2017
Contracts Signed	5 th September 2017	7 th November 2017
ISG Mobilisation	25 th September 2017	27 th November 2017
Temporary structure ready to use	10 th October 2017	11 th December 2017
31-week internal programme	21 st May 2018	9 th July 2018
Pool Complete	12 th Nov 2018	2nd January 2019

Currently the programme is showing a complete shutdown of the facility for the first 31 weeks of construction. An evaluation of loss of income v savings has been undertaken by MC leisure officers and the loss of income due to the 31 week shutdown has been calculated at £13k - £15k. Due to the construction being on a school site, with construction already underway in building the new school it is felt that from a health and safety perspective the 31 week shutdown would be the preferred route, however this is a decision for MCC.

Appendix 10 – Temporary Structure Location

35x20 metres

