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CHILTERN
District Council

Resources Overview Committee

Wednesday 20 June 2018 at 6.30 pm

**Large & Small Committee Room, King George V House, King George V
Road, Amersham**

S U P P L E M E N T A R Y A G E N D A 1

Item

Redevelopment of Chiltern Pools and adjacent community facilities
(Pages 3 - 16)

Appendix 1: Proposed Leisure Centre Facility Mix
(Pages 17 - 18)

Appendix 2: Stage 2 Proposals (Pages 19 - 64)

Note: All reports will be updated orally at the meeting if appropriate and may be supplemented by additional reports at the Chairman's discretion.

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SUBJECT:	<i>Redevelopment of the Chiltern Pools and adjacent Community Facilities</i>
REPORT OF:	<i>Cllr Mike Stannard, Support Services Portfolio Holder Cllr Liz Walsh Community, Health and Housing Portfolio Holder</i>
RESPONSIBLE OFFICER	<i>Martin Holt 01494 732055, mholt@chiltern.gov.uk</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

To update members on the evolving design, cost plan and business case to re-provide a combined community and leisure facility in Amersham serving the whole of Chiltern District, and to seek agreement to develop and submit a planning application for the King George V Road/Chiltern Avenue site. This will enable the project team to progress with the RIBA Stage 3 Developed Design phase, also working up the cost plan and business case to a further level of detail, whilst commissioning surveys required to inform the planning application.

RECOMMENDATIONS:

1. **To note the findings of the current version of the design proposals and business plan to re-provide a combined community and leisure facility in Amersham.**
2. **To agree the facility mix incorporated in the current design proposals and detailed in Appendix 1.**
3. **To delegate the decision to the Director of Services to submit a detailed planning application for the proposed leisure and community centre.**
4. **To delegate authority to the Director of Services, to undertake a feasibility study of the development opportunities offered by the release of the existing leisure and community sites and subject to an outline business case, to submit an outline planning application made in tandem with the detailed planning application for the proposed leisure and community facility.**
5. **To delegate authority to the Head of Environment and Head of Legal to carry out due diligence to identify and take steps to address any legal constraints for the proposed leisure and community centre project.**
6. **To authorise the Head of Healthy Communities, in consultation with the**

Support Service Portfolio Holder to draw down up to £500,000 of funding from the Affordable Housing Reserve to enable an outline business case, and outline planning application of the King George V and Chiltern Avenue site to be determined.

- 7. To authorise the Director of Services to agree the maintenance arrangements for the land to be transferred to Amersham Town Council.**
- 8. To authorise the Director of Services to agree the provision of replacement outdoor leisure facilities to be managed and owned by Amersham Town Council following the transfer of the section of King George V Playing Fields to be developed to the District Council.**

2. Executive Summary

2.1 Following overwhelming support from the community, the proposals to redevelop the Chiltern Pools and adjacent community facilities have now concluded the RIBA Stage 2 Concept Design and moved to the Developed Design stage. This design stage will provide the necessary information to support, develop and submit a detailed planning application.

2.2 The Council has been supported through this process following the appointment of the project team of Cost Consultant (Appleyard & Trew), Project Manager (Hadron Consulting Ltd), Lead Design Consultant & Architect (Space & Place), Mechanical & Electrical Engineers (Desco Ltd) and Structural & Civil Engineers (Engenuity). Appointments for a Planning Consultant and Transport Consultant are being concluded.

2.3 The concerns raised through the consultation; parking, accessibility, size and scale of the building close to residential areas, the provision of temporary facilities during any development and the protection of the historic barns have been addressed through orienting the building along King George V Road.

2.4 The Stage 2 Report confirms the preferred approach to develop a single facility incorporating a range of leisure activities and a spa alongside the community facilities to enable income generation over a 40 to 45 year period, funded via the Public Works Loan Board and enabling development. To determine the extent and nature of any enabling development of the current Chiltern Pools site a feasibility study and outline planning application is required.

2.5 Amersham Town Council has provided strong support enabling the project to proceed by agreeing with the Council and Fields in Trust to swap land on the King George V Playing fields and increase the protection for a number of open spaces within Amersham.

2.6 The increased range of community and leisure activities would support the District, County and Sport England's drive to increase physical activity across the population with particular attention on those who don't currently participate. The centre would also support a range of activities assisting those at risk of social isolation, or with disabilities or aging to participate, assisting the aims of supporting a healthier community. The indirect benefit of a healthier lifestyle reduces the public sector costs arising from long term health conditions, loneliness and social isolation. A key target group for the centre would be to meet the needs of an elderly population whilst enabling physical activity across the generations.

2.7 The project plan currently aims to deliver a new facility managed by a leisure provider from Q1 2021 (April-June 2021). To achieve this target the Council has appointed leisure specialists to assist in drafting the leisure provider tender to operate all the Council's leisure facilities and is seeking authority to submit a detailed planning application for the new centre in September 2018.

3. Reasons for Recommendations

3.1 The current Chiltern Pools has an operational life until 2020 following which significant capital investment will be required to the building structure, plant and equipment and internal facilities. Future operational and capital costs arising from the continued operation of the Chiltern Pools in its current condition are anticipated to average £700k/annum over a 10 year period.

3.2 Without significant investment the facility will be a drain on the Council's resources and risks closure, impacting on current and future users of the leisure centre. The opportunity to invest in a new facility enables a significant return on investment reducing the future costs of leisure provision and allows income generation to the Council.

3.3 The public consultation attracted a high level of support and provided a clear public mandate to provide modern replacements for the facilities in Amersham. Discussions with current users of the centre and stakeholders including; Greenwich Leisure Limited, Amersham Swimming and Diving Clubs, Amersham Community Association, Gateway Disability Club, Linfield's Nursery, Amersham Youth Club and BCC Library Service all support the opportunity to develop modernised facilities addressing their future needs.

4. Content of Report

Background

4.1 Chiltern District Council currently operates three leisure centres managed by Greenwich Leisure Limited under its trading arm Better Leisure. The current leisure operator contract ends March 2020 and work is currently commissioned to retender the operator contract.

- 4.2 The Council currently pays a management fee of £105,000/annum and is required to invest £100,000/year in capital improvements to the leisure facilities. GLL is also required to reinvest £145,000/annum in the planned preventative maintenance programme across the three centres. To gain value for money CDC and GLL jointly manage the programme. The current contract also provides a surplus reinvestment fund which will total £2.1M when the contract ends in 2020.
- 4.3 The annual income profile produced by GLL identifies that the Chesham and Chalfont centres produce an average surplus to the contract of £433k/annum. The Chiltern Pools currently impacts negatively on this surplus and is responsible for the current levels of management fee and capital expenditure (-£199 baseline costs in the business case).
- 4.4 If the Council continued to operate the current three centres the estimated management fee payable by the Council for a 10 year contract is forecast to be £600k/annum plus £100k/annum capital. If the Chiltern Pools is replaced as per the business case, the £4M surpluses from Chalfont and Chesham would enable significant reinvestment in these centres and has not been included in the business plan.
- 4.5 The Council has tendered a structural condition survey to identify the future expenditure over a 10 year period across all three centres. This will inform the operator tender requirements and improvement schedules required.

Proposed replacement community and leisure facilities

- 4.6 The Indoor Sport and Leisure Facilities Strategy and Chiltern Pools Options Appraisal and Feasibility study indicated that there was a viable business case to develop a new multi-purpose leisure centre/community facility which could deliver a good return on the investment required enabling the facility to be delivered at no additional cost to the council tax payer.
- 4.7 Respondents to the consultation identified that there was a clear justification for the Council to prioritise its investment in a new leisure and community hub with over 80% agreeing or strongly agreeing that this was the right thing to do. Almost 70% of respondents thought it was appropriate to develop a new facility under one roof as opposed to individual facilities and 80% of respondents agree that the new facility should offer a wider range of sport, leisure and community activities

Business Case

- 4.8 Members have sought to deliver a proposal for a new leisure and community centre at nil additional cost to the Council and were possible reduce the future costs of leisure provision whilst providing a centre that has flexibility to deliver future leisure and community needs. A modern purpose built centre would enable reduced

operating costs, and a wider range of activities to meet the needs of all the community. In doing so a new facility would assist in regenerating an aging collection of buildings which poorly use the Councils land asset enabling opportunities for future income generation to be considered. In an era of negative council tax subsidy the Council has to increasingly manage its assets to gain maximum benefit for the community.

- 4.9 In consideration of these aims the evolving business case has incorporated features that would enable income generation to offset the building and operational costs of any proposed centre. It has been recognised that there needs to be high income generation areas such as; swimming, health and fitness, children's play and spa facilities to offset the cost of low income areas such as; the sports hall, squash, and community facilities.
- 4.10 The revised business case has reviewed the needs of current stakeholders and secured their intentions to support the project including an identification of their specific requirements. The business case has also addressed the opportunity to develop the site so as to mitigate the concerns in relation to transitional arrangements, car parking, the protection of the historic barns, accessibility and massing of the site close to adjoining properties.
- 4.11 The current facility mix detailed in **Appendix 1** includes an eight lane 25m swimming pool with associated spectator seating, dive facility/teaching pool (with associated dry diving facility), children's splash pad, changing village, 170 station fitness studio, climbing wall, soft play/clip and climb facility, 4 court sports hall, café, spin studio, 2/3 x dance studios, hot yoga studio, 2 x squash courts, community hall and meeting rooms, library and spa facility with treatment rooms. Accommodation has also been included to support the Linfield Nursery and Gatehouse Disability Club which currently operate from the Youth Club. Increased parking is provided as a result of the reorientation of the centre, together with the use of the Council office car park. As a temporary option the use of the existing Chiltern Pools site could form additional parking once demolished.
- 4.12 The current estimated costs of the proposed leisure and community facilities incorporating stakeholders' requirements and the provision of a spa together with additional accommodation anticipated to meet future needs is provisionally estimated between £30M -£34M. The final contract price will be the subject of a competitive OJEU compliant tender process.
- 4.13 The current evolving business case is detailed in **Appendix 2** identifies the options of adopting a more commercial approach to the leisure provision together with the inclusion of a spa facility. The proposals enable a contractor surplus of between £1.25M and £1.5M/annum. This would allow a payment to the Council of between £1M and £1.3M to offset the Councils loan costs. At the current fixed rate

cost (2.74%) of prudential borrowing the income would sustain a PWLB loan over a 40-45 year period.

- 4.14 The spa plus and commercial pricing option demonstrates that the Council would achieve a saving against the future leisure associated costs arising from the continued operation of the Chiltern Pools, and would deliver a surplus by year 3 of between £10k and £85k, depending on the loan period.
- 4.15 The inclusion of the Community facilities at an estimated cost of £4M would be a cost to the Council of between £100k and £110k depending on the loan period.
- 4.16 The sensitivity analysis reflects the impact of higher build costs, interest rates and changes to health fitness throughput on the business case and surplus income to the Council. The sensitivity analysis can lead to a number of conclusions.
- The increase in interest rate has the lowest impact but is probably the most certain
 - Construction cost increases should be limited through the construction process and have been assessed in the cost plan at 5%. The OJEU competitive tender process will confirm the final costs.
 - Income sensitivity is the largest risk, but this will be the subject of market testing through the operator procurement process with the risk being transferred to the new leisure operator.
 - Combining sensitivity elements has a compounding effect
- 4.17 The NPV/Rol are important considerations but as the proposals seek to include £4M of community elements this project should not be considered a purely commercial operation and the inclusion of some consequential enabling development would help reduce the cost of the construction and especially the community element

Impact of Facility Mix on the business case

Community facilities

- 4.18 The business case recognises that the community facilities, which include the replacement library, community hall and pre-school nursery, are estimated to cost £4M. It is clear that the Council is unlikely to generate sufficient income from rent to cover the cost of capital. Therefore, there will be a need for the Council to enter into negotiation with Bucks County Council (as the provider of pre-school education and library services) and the Community Association to consider how it will cost their access to the new development.
- 4.19 It is anticipated that the negotiation with the County will focus on a potential capital contribution, rental agreement or enabling development. However, the

negotiation with the Community Association also needs to consider the range of tenants it accommodates (i.e. not in competition with the leisure operator) as well as its approach to charging commercial rates for commercial activities.

Leisure facilities

- 4.20 At an estimated cost of £30.6M for the leisure centre the business case would enable borrowing to meet this cost, with the inclusion of the spa plus and a more commercial approach to charging the business case further improves. The main income being derived from health and fitness, swimming, and play.
- 4.21 Following the inclusion of the capital costs it is clear that only health and fitness generates income to cover the building and operational costs. It also subsidises the ability to provide less income generating features in the centre. The centre has been designed to provide a 170 station gym, three dance studios and a hot yoga studio enabling over 4,500 members by year 3. Soft market testing, assessment of the latent demand and comparison with other areas has identified that this target is feasible in the current competitive climate.
- 4.22 The business plan also recognises that the wide range of offers provided by the proposed centre attracts new visitors to the centre and each of the facility mix contributes to the overall throughput and income generation.
- 4.23 In terms of the business plan the sports hall, due in part to its size and scale and future maintenance and repair costs does not provide a return, however its inclusion is considered of significant benefit to the leisure mix in Chiltern. Whilst the Climbing wall has a slight deficit and is almost at break-even point, this could change with any increased throughput above the predicted numbers of participants or following changes to the allocation of costs. Squash makes a marginal impact on the business case and as a result of the additional studio space incorporated in to the current design has limited additionality, but it may be used to support children's activities and or table tennis when not required for squash.
- 4.24 The general circulation area is a key drain on resources which is not uncommon within the context of the business case as the area does not have a defined point of income generation but the area will support the opportunity for the space to provide advice, information and support to residents or to enable exhibitions and events attracting customers from wider afield. The area will also support the need for spectator provision at swimming galas without the need to include a significant viewing area in the pool hall with limited secondary usage. The café positioned centrally in the street provides the opportunity for secondary spend from users and visitors to the centre.
- 4.25 The remaining areas of the leisure centre all contribute to a lesser or greater extent to the overall business case. The costs associated with the dry dive facility

have been incorporated in to the swimming income/expenditure projections as is based purely on the use by the Diving Club. This facility also supports the development and expansion of the diving club as a regional venue. As the dry diving is designed to be used in association with the sports hall this provides opportunities for local gymnastics clubs to hire and use the space.

4.26 The inclusion of the Spa provides a marginal but positive return on the business case however with the inclusion of the Spa Plus with the associated increased hot and cold experience, and additional treatment rooms a better return on the capital investment is provided and a greater contribution made to the business case. It also brings potential new entrants to the leisure facilities benefiting cross sales, and access to the community facilities.

4.27 In determining the final facility mix, it is recognised that each element of the design; swimming pool, spa, sports hall, climb, café, library, community centre, etc. all contribute to the overall business case. Should a decision be made to remove an element such as diving or spa, there would have to be a significant change to the design, and a knock on to the overall throughput, business case and development timescales.

4.28 The inclusion of all the facilities detailed in the current designs has been included in previous public consultation(s) and are currently supported by the community.

Enabling Development

4.29 With the demolition of the existing leisure and community buildings there is a once in a lifetime opportunity to consider the whole of the King George V Road and Chiltern Avenue site to

- Maximise the opportunities that benefit the community,
- Rationalise the boundary between the built area and the King George V Playing Fields, and
- Provide an income stream to support the Council's aspirations.

4.30 It is proposed that the Head of Environment and Head of Legal are asked to undertake due diligence to identify and take steps to address any legal constraints that impact the proposed leisure and community centre project. Due diligence is necessary to ensure there are no legal constraints that limit the scope of this project and to manage and plan for any risks that are identified.

4.31 Whilst community and leisure parking is currently being considered through the provision of a surface car park, future development opportunities may require the provision of low rise layered car parking alternatives, similar to those proposed in Marlow.

4.32 It is therefore recommended that a feasibility study exploring various options, as part of the project's overall financial viability, with a view to submitting a concurrent outline planning application is undertaken of the development opportunities offered by the release of the leisure and community site

Project Plan

4.33 Following the appointment of the Project Manager, and the Design team, further work was undertaken to test the assumptions in relation to the facility mix, size and scale of the building design and its location on the Chiltern Avenue/King George V site, delaying the completion of the Stage 2 design.

4.34 The revised high level project time line would aim for the new facility to be operational by April 2021 with key decision points now being;

- Client approval to proceed with planning application June 2018
- Client approval to proceed with contractor procurement June 2018
- Planning application submitted September 2018
- Planning approval January 2019
- Council decision to proceed with the development of the Centre following planning consent - February 2019
- BCC agreement to release of leases - February 2019
- Contractor appointment – March 2019
- Construction – August 2019 to March 2021
- Leisure Provider appointment April 2020
- Fit out and hand over – March / April 2021
- Opening – April 2021

4.35 These timelines are tight and based on the assumptions that;

- The project approval as far as the next key decision point, to proceed with a detailed planning application is granted at the June 2018 meeting of Cabinet;
- With limited contingency built in the programme that there is a quick decision making process built in to the project plan and delegated to the Project Board to progress within budget parameters;
- That the procurement of the contractor is undertaken early to enable detailed input in to the final design stages;
- That the design team is 'novated' to the construction contractor for the construction period;
- That the contractor can deliver to the assumed construction timescales; and
- That further design work is progressed in parallel with the planning application being considered.

4.36 It should be noted that an enabling package of works is likely ahead of the main construction works for the new centre, and the construction logistics is under

review. Once the new centre is open and existing buildings have been vacated there will then need to be a demolition and making good package of works to create final parking areas and access routes. This is not currently included in the key milestones above.

Construction Procurement

4.37 The Project Board and Leisure Members Working Group (LMWG) has received procurement advice in relation to the appointment of the construction contractors, which takes into account the following:

- Programme to open the facilities in April-June 2021;
- Any facility should be built to a high standard;
- That control over the design needs to be with the Council and its stakeholders;
- The costs must be within the current identified cost and business plan limits; and
- Transfer the risk of cost to the contractor where possible.

4.38 At a procurement workshop in April 2017 it was recommended that a hybrid procurement approach is taken by the Council to appoint the main contractor. This process would enable a Design and Build contract to be entered into with the Council undertaking a two stage OJEU tender and appointing two contractors to be involved in the design, costs and buildability decision making. Following which a final competition is held between the two contractors to appoint the most competitive organisation.

4.39 The Project Manager is currently evaluating the market and has advised that to enable two contractors to be party to the design and technical requirements, whilst allowing a final competitive stage a fee would be payable. This fee would be agreed by the project board in a later report on the procurement approach and a budget for this is held in the current cost plan.

4.40 It should be noted that the above procurement approach may not encourage some of the larger leisure contractors to bid for the work and therefore market testing is underway to review and potentially revise the procurement strategy. This is noted as a project risk below.

4.41 Cabinet, at its meeting 27th June 2017, delegated authority to the Director of Services in consultation with the Head of Legal and Democratic Services to undertake a procurement process to select the lead construction company for the project, subject to final agreement to appoint the contractor by Cabinet. The revised procurement strategy will be considered by the project board and Leisure Members Working Group prior to any decision on the approach for procurement.

Land Swap

4.42 Amersham Town Council has agreed to the disposal of land to the District Council in return for the transfer of the green at Woodside Close and edge of Chiltern Avenue previously agreed by Cabinet report 1st May. The Head of Legal is progressing the transfer documents. Amersham Town Council has requested that following transfer the District Council

- reimburses the Town Council the £3500 cost of annual maintenance of the green at Woodside Close,
- further maintains the green fringes adjacent to Chiltern Avenue on behalf of the Town Council
- undertakes and necessary tree work prior to the land swap and
- relocates the MUGA, skate park, outdoor gym, and children's play area to support the phasing of the construction works.

5. Consultation

5.1 Consultation on the new centre proposals, including design, is to be undertaken during the summer as part of the detailed planning application process.

6. Options

1) *All options in the business case present an opportunity to deliver a new community and leisure facility with loan repayments made over a 40-45year period at nil additional cost to the council. The proposals enable opportunities to be released to redevelop the current community and leisure facilities making best use of the Councils assets.*

To proceed to the next key decision point of the project and develop and submit a detailed planning application on the current proposals together with an outline planning application for the remainder of the King George V site.

2) *To decide not to proceed with the current scale and scope of the project which would the Council to decide on the proposed facility mix it wishes to include in the revised scope. This would require fundamental change to the current designs, a change to the facility mix, and changes to the business case, which may result in a centre that is not cost neutral to the Council. The immediate impact would be increased design costs associated with the reworking, changes to the planned programme. The Council would be required to decide on the future operation of the Chiltern Pools with the option of closure of the centre or increasing the budget expenditure to meet future operational costs.*

7. Corporate Implications

7.1 *Financial – The doing nothing option will result in revenue costs of over £600k per annum and capital costs to the maintenance of structures of £100k/annum. As the Chesham and Chalfont leisure centres return a net surplus of over £400k/annum the decision would have to be made as to the future of the Chiltern Pools. The development*

of a single community and leisure centre would enable development options to be realised supporting the business case.

The project proposals and business case identifies a net financial return of £1M to £1.3M/annum to facilitate the Council borrowing and provides a net surplus depending on the approach to commercialisation and the inclusion of a spa. The proposals also deliver a wider range of activities meeting the requirements of the Chiltern Indoor Sports and Leisure Facilities Strategy, delivering a purpose built centre with more efficient operational costs. At the current fixed rate cost of borrowing the income would sustain a loan amount of £34M over a 40-45year period thereby delivering a new facility.

The current approved budget allocation of £1.5M is sufficient to progress the detailed design of the leisure and community facility to the next key decision point which is the approval of planning.

It is recommended to draw down up to £500,000 of funding from the Affordable Housing Reserve to enable the costs of professional fees for the feasibility study and outline planning application for the remainder of the King George V and Chiltern Avenue site to be progressed

The Council has taken external advice on treatment of VAT for the development. The recommended approach is to 'opt to tax' the building which will allow the recovery of the £6M VAT cost on the build. Consequently the leisure payment from the operator will be subject to VAT.

7.2 Legal – The Council has a duty to consider the health and wellbeing of its community, enabling leisure opportunities to support a healthier and active community would assist the Council in supporting this objective. The Council is advised to carry out due diligence to ensure there are no legal constraints that impact this project. Delegated authority should be given to the Head of Environment and Head of Legal to carry out the due diligence exercise for this project.

7.3 - Risks the current risks associated with the project include;

- i. The proposed land swap is to be concluded as soon as possible and consent is required from Amersham Town Council to the external facilities strategy being proposed for the scheme. Any delay to consent will delay submission of a planning application.*
- ii. Whilst the proposed site is strongly positioned to attract interest from the major wet leisure contractors, the procurement route needs to ensure a balance of cost and time. Due to market conditions, major wet leisure contractors may withdraw from a route that may not favour them which*

may result in a failed procurement process. The procurement strategy remains under review as market testing continues.

- iii. Changes to the design or facility mix will have a significant adverse impact to the project programme, also potentially incurring additional redesign fees. Once public consultation has commenced it is very difficult to change proposals unless in response to consultation feedback.*
- iv. Stakeholders not agreeing the final heads of terms to relocate into a combined leisure and community facility leading to the need to identify an alternative site and potential delays to the project.*
- v. The final business case arising from the detailed design and construction process in Stage 4 does not deliver the anticipated return on investment.*
- vi. There is limited survey information regarding ground conditions (this is to be undertaken in Stage 3 and will inform the planning application). There is a risk of poor ground conditions which will increase the project costs and overall delivery programme.*
- vii. The cost of borrowing increases adversely impacting on the business case. This could be mitigated by agreeing long term fixed rate borrowings.*
- viii. Planning consent is refused for the leisure and community facility extending the timeline for completion. This risk may increase should the detailed planning application for the leisure centre and outline planning application for the potential residential are linked.*
- ix. Delays in appointing the contractors would extend the timeline for completion.*
- x. The contractor is unable to commit to the proposed timescale.*
- xi. Inflationary costs could increase the overall cost of development impacting on the business case, or further delay to the overall programme would potentially attract increased inflation costs.*

8 Links to Council Policy Objectives

Safe, Healthy and Active communities

Council has a duty to consider the health and wellbeing of its community, enabling leisure opportunities to support a healthier and active community would assist the Council in supporting this objective. Enabling the delivery of fit for purpose leisure facilities would support the Council's objectives to reduce crime and disorder, address carbon management in relation to the use of fossil fuels used in the operation of the

leisure centres, strengthen partnership working with Public Health, CCG, community groups and sports clubs and improve opportunities for greater community cohesion.

9 Next Steps

- *Detailed site surveys*
- *Public consultation on the current proposals*
- *Heads of terms agreed with leaseholders*
- *Detailed and outline planning applications submitted*

Background Papers:	N/A
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Appendix 1
Proposed Leisure Centre– Facility Mix

Previous Facility Mix	Current Proposed Facility Mix	Changes / Notes
8 lane, 25m competition swimming pool with poolside seating	8 lane, 25m competition swimming pool with poolside seating	None
Diving / training pool 12m x 17m (with moveable floor)	Diving / training pool 12.5m x 17m (with moveable floor)	Small increase to pool size to accommodate diving requirements
Splash pad	Splash pad	None
Dry dive zone, double height space	Dry dive zone, double height space	None
2 squash courts	2 squash courts	None
Village change with 2 group changing rooms	Village change with 2 group changing rooms	None
4 court sports hall	4 court sports hall	None
150+ station gym allowing for further possible expansion	160/170+ station gym	Increase in gym area
Café / vending	Café vending	Orientated to serve public areas and soft play / clip n climb facility
3 multi-function / dance studios	2/3 multi-function / dance studios	Large studio has moveable wall to allow 3 studios to operate simultaneously
Standalone youth zone	None	Alternative arrangements being considered to develop the youth club, whilst allowing concessionary access to the centre for young people and a wider range of club and leisure activities.
	Hot yoga studio	Additional studio incorporated for additional flexibility and to support business case
Spin studio	Spin studio	None
Climbing wall area	Climbing & bouldering area	Bouldering area included to meet needs of users & support business case
Adventure play / clip n climb	Adventure play / clip n climb	None
Party rooms	2 party rooms	Included within adventure play / clip n climb area
Soft play and catering zone	Soft play and catering zone	None
Community hall, theatre with a 200 seat capacity, ancillary community rooms	Community hall, theatre with a 200 seat capacity, ancillary community rooms	None
Library	Library	None
IT suite & class rooms	2 workrooms included within library	Workrooms included within library area
CAB / Council / Partner offices		Removed from scope as not supported by business case and brief not defined

Spa with heat experience zone and treatment / relaxation rooms	Spa with heat experience zone and treatment / relaxation rooms	None
Pre-school nursery	Pre-school nursery	To meet Ofsted requirements for 50 children

Appendix 2

Chiltern Leisure Centre – RIBA Stage 2 Proposals

- 1. Summary of the Evolving Business Case**
- 2. Sensitivity Analysis**
- 3. Design proposals (drawings)**
- 4. Evolving Business Case including anticipated income and cost plan**

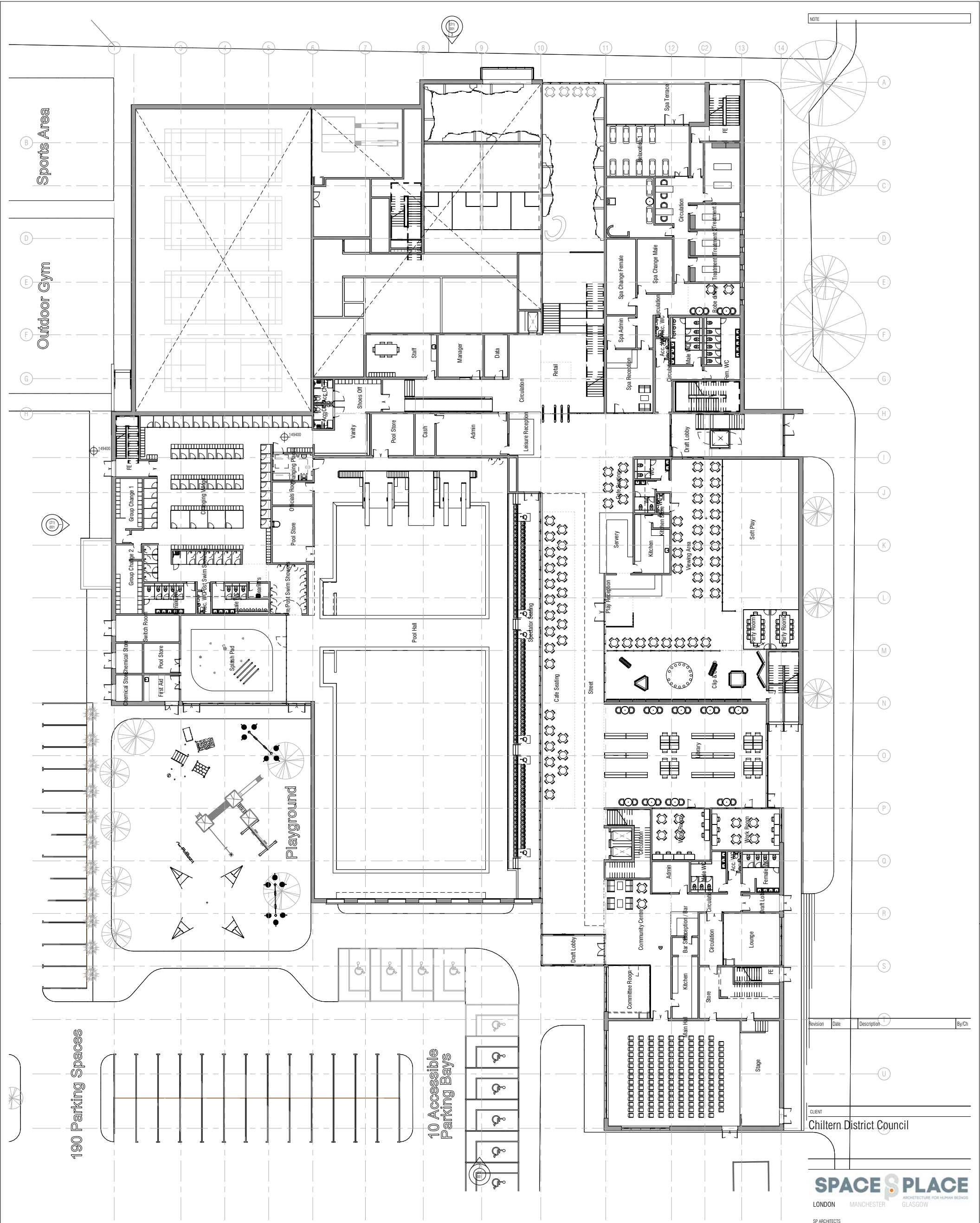
Appendix 2 Summary of the Evolving Business Case

40 Year Loan Options											45 Year Loan Options					Classification: OFFICIAL-						
Summary Figures	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Summary Figures	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	
Option 1	Actual	Actual				Y1	Y2	Y3	Y4	Onwards	Option 1	Actual	Actual				Y1	Y2	Y3	Y4	Onwards	
Includes Spa+	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Includes Spa+	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost of Current Leisure Facility											Cost of Current Leisure Facility											
- Payment to contractor (Note 1)	105	107	100	100	100	600	600	600	600	600	- Payment to contractor (Note 1)	105	107	100	100	100	600	600	600	600	600	
- Annualised capital cost			100	100	100	100	100	100	100	100	- Annualised capital cost			100	100	100	100	100	100	100	100	
			200	200	200	700	700	700	700	700				200	200	200	700	700	700	700	700	
Running Costs of New Leisure Facility											Running Costs of New Leisure Facility											
- Income						-4,139	-4,847	-5,265	-5,371	-5,478	- Income						-4,139	-4,847	-5,265	-5,371	-5,478	
- Expenditure (including operator profit)						3,514	3,703	3,852	3,949	4,043	- Expenditure (including operator profit)						3,514	3,703	3,852	3,949	4,043	
- Annualised capital cost (to start from year 3)								155	160	165	- Annualised capital cost (to start from year 3)							155	160	165		
Surplus available for payment to CDC						-625	-1,144	-1,258	-1,262	-1,270	Surplus available for payment to CDC						-625	-1,144	-1,258	-1,262	-1,270	
Cost of New Leisure Facility											Cost of New Leisure Facility											
- Payment from contractor (after deduction of VAT)						-521	-953	-1,048	-1,052	-1,058	- Payment from contractor (after deduction of VAT)						-521	-953	-1,048	-1,052	-1,058	
- Servicing £30.6m 40 year annuity loan (Note 2)					418	1,267	1,267	1,267	1,267	1,267	- Servicing £30.6m 45 year annuity loan (Note 2)				419	1,191	1,191	1,191	1,191	1,191	1,191	
					418	746	314	218	215	208				419	670	238	143	140	133	133		
Cost of New Community Facility											Cost of New Community Facility											
- Payments from Community Element						-52	-54	-55	-57	-59	- Payments from Community Element						-52	-54	-55	-57	-59	
- Servicing £4m 40 year annuity loan (Note 2)					55	166	166	166	166	166	- Servicing £4m 45 year annuity loan (Note 2)				55	156	156	156	156	156		
					55	114	112	110	109	107				55	104	102	101	99	97			
<div style="border: 1px solid black; padding: 2px; width: fit-content;"> £40k Community Centre £12k Nursery £0 BCC Library (incentive to give up current lease) </div>					472	859	426	329	324	315				474	774	341	244	239	230			
Options																						
More commercial approach to pricing						472	742	221	100	78												
Reduction compared to base model					0	117	205	228	233	238												
45 year loan						474	774	341	244	230												
Reduction compared to base model					-2	85	85	85	85	85												
More commercial approach to pricing + 45 year loan						474	657	136	15	-7												
Reduction compared to base model					-2	202	290	314	318	323												
Capital Cost of New Facility																						
- Leisure element					30,600																	
- Community element					4,000																	
					34,600																	
Chiltern Pools Car Park Income	-45	-49	Likely to increase in future due to extra usage of facility																			
Note 1: CL02 / C625 Leisure Management Contract. This covers all 3 centres. Chalfont & Chesham are making a profit, which is being masked by a loss on Chiltern Pools.																						
Note 2: Although the actual loan repayments will start from 6 months after the loan is taken out, due to local authority accounting rules, the effect on the revenue budget is partially delayed as setting aside money for loan repayments only starts once the asset is completed.																						

	40 Year Loan Options										45 Year Loan Options											
Summary Figures	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Summary Figures	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	
Option 3	Actual	Actual				Y1	Y2	Y3	Y4	Onwards	Option 3	Actual	Actual				Y1	Y2	Y3	Y4	Onwards	
Commercial Pricing Plus Spa+	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Commercial Pricing Plus Spa+	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost of Current Leisure Facility											Cost of Current Leisure Facility											
- Payment to contractor (Note 1)	105	107	100	100	100	600	600	600	600	600	- Payment to contractor (Note 1)	105	107	100	100	100	600	600	600	600	600	
- Annualised capital cost			100	100	100	100	100	100	100	100	- Annualised capital cost			100	100	100	100	100	100	100	100	
			200	200	200	700	700	700	700	700				200	200	200	700	700	700	700	700	
Running Costs of New Leisure Facility											Running Costs of New Leisure Facility											
- Income						-4,303	-5,124	-5,574	-5,685	-5,799	- Income						-4,303	-5,124	-5,574	-5,685	-5,799	
- Expenditure (including operator profit)						3,538	3,735	3,886	3,984	4,079	- Expenditure (including operator profit)						3,538	3,735	3,886	3,984	4,079	
- Annualised capital cost (to start from year 3)								155	160	165	- Annualised capital cost (to start from year 3)							155	160	165		
Surplus available for payment to CDC						-766	-1,389	-1,532	-1,542	-1,555	Surplus available for payment to CDC						-766	-1,389	-1,532	-1,542	-1,555	
Cost of New Leisure Facility											Cost of New Leisure Facility											
- Payment from contractor (after deduction of VAT)						-638	-1,158	-1,277	-1,285	-1,296	- Payment from contractor (after deduction of VAT)						-638	-1,158	-1,277	-1,285	-1,296	
- Servicing £30.6m 40 year annuity loan (Note 2)					418	1,267	1,267	1,267	1,267	1,267	- Servicing £30.6m 45 year annuity loan (Note 2)					419	1,191	1,191	1,191	1,191	1,191	
					418	629	109	-10	-18	-29					419	553	34	-85	-93	-105		
Cost of New Community Facility											Cost of New Community Facility											
- Payments from Community Element						-52	-54	-55	-57	-59	- Payments from Community Element						-52	-54	-55	-57	-59	
- Servicing £4m 40 year annuity loan (Note 2)					55	166	166	166	166	166	- Servicing £4m 45 year annuity loan (Note 2)					55	156	156	156	156	156	
					55	114	112	110	109	107					55	104	102	101	99	97		
					472	742	221	100	91	78					474	657	136	15	6	-7		

2 Sensitivity Analysis

Assumptions and Sensitivity Analysis				
Assumptions				
The base model has been based on various assumptions as follows:				
- The total build cost is £34.6m excluding VAT.				
- Inflation is 3% a year and this is also the discount rate used.				
- The financing cost is based on borrowing from the PWLB, on an annuity basis, over 40 years.				
- The payments from the leisure contractor and community elements are inflation linked.				
- Profitability estimates have been based on the KPP model for the first 5 years and then inflationary rises going forward				
Sensitivity Analysis				
However the financial model is only an estimate.				
Changing any of the assumptions will effect the return.				
For instance				
- If the build cost goes down, the profitability goes up.				
- If the loan rate goes down, the profitability goes up.				
- If we increase the charges, the profitability goes up.				
And of course vice versa.				
The following table therefore shows the effect on the Net Present Value and Profitability figures if we change some of these assumptions.				
	Base Model	Build cost 10% higher	Loan rate 1/2 % higher	Income estimate 5% lower
Build Cost	£34,600,000	£38,060,000	£34,600,000	£34,600,000
Loan Interest Rate	2.73%	2.73%	3.23%	2.73%
Year 3 Leisure payments to CDC	-£1,048,280	-£1,048,280	-£1,048,280	-£828,894
Year 3 community payments to CDC	-£55,167	-£55,167	-£55,167	-£55,167
Internal Rate of Return	3.50%	3.01%	3.50%	2.36%
Net Present Value over 40 years (Negative is good)	£11,545,787	£16,516,203	£14,671,155	£19,388,626
Total Surplus over 40 years (Negative is good)	-£17,112,387	-£11,383,378	-£12,281,025	-£1,857,959



Revision	Date	Description	By	Ch

CLIENT
Chiltern District Council

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STATUS Stage 2
PROJECT
Chiltern Life Centre

DRAWING
Ground Floor GA Plan

SCALE 1:200 SHEET SIZE A4 DRAWN BY TR CHECKED BY JOB DATE 21/05/18
PROJECT NO. DRAWING NO. 3615 - (20) 001 - REVISION

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CHILTERN DISTRICT COUNCIL

CHILTERN LIFESTYLE CENTRE

STAGE 2 DESIGN - BUSINESS PLAN UPDATE

MAY 2018

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**CHILTERN DC – CHILTERN LIFESTYLE CENTRE
STAGE 2 DESIGN - BUSINESS PLAN UPDATE**

CHILTERN DC – CHILTERN LIFESTYLE CENTRE STAGE 2 DESIGN - BUSINESS PLAN UPDATE

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CHILTERN DC – CHILTERN LIFESTYLE CENTRE

STAGE 2 DESIGN - BUSINESS PLAN UPDATE

INTRODUCTION

This is the business plan update on the Stage 2 design for the Chiltern Lifestyle Centre. The business plan has been developed on the basis of the latest design drawings issued on 30th April 2018.

The purpose of this report is to enable the Project Board and the Leisure Needs Members Working Group to understand the potential financial performance of the new facility alongside the capital cost of the development.

The current design status has picked up on some prior concerns about the size and scale of key income generating areas. The key features and usage of the current design is as follows:

Activity area	Key features and business plan implications
Swimming pools	<p>Comprising 8 lane 25m pool with teaching/diving pool and a small splash pad area (for children's play). There is spectator provision for approximately 150 with the potential to view from the street. The diving pool incorporates a combination of 6 platforms and springboards.</p> <p>The key challenge in relation to the business plan is the degree to which diving and learn to swim can complement each other from a programming perspective and the aspiration from swimming and diving clubs to grow while accommodating increased public use.</p> <p>The business plan for the pools has been developed on the basis of a programme which attempts to meet the needs of all organisations and provides community access throughout as many hours as possible, especially during peak times. The pool programmes are identified within Appendix 1.</p>
Dry diving	<p>Dry diving is instrumental to the growth and development of diving at the facility and will be a key component in the growth of the club. However, the size has reduced to circa 84m² to accommodate just two springboards with crash mats and a small floor area (once the boards are stored upright). This equates to less than half of the ideal area identified by Swim England.</p> <p>However, the dry dive is linked to the sports hall enabling the diving club to programme specific trampoline and tumbling sessions which would otherwise have been accommodated within the larger dry dive facility.</p> <p>Therefore, given the size of the dry dive, there will be limited use of the facility by other users.</p>
4 court sports hall	<p>A 4 court sports hall which will accommodate a range of indoor sports such as badminton, basketball, netball, indoor football, trampolining, gymnastics etc.</p> <p>There is currently no community sports hall in Amersham which presents an opportunity to expand participation in this area; however, there is no clear identified user groups who will use the facility at this stage.</p>
Fitness suite and studio spaces	<p>The fitness suite will accommodate circa 170 stations although it should be appreciated that the current trend in health and fitness is to provide substantial 'functional training' zones (e.g. kettle bells, TRX ropes, free weights, sledges, tyres, etc..). The size and scale of the facility provides sufficient space for this to be accommodated.</p> <p>There has been an increase in studio space since the stage 2 feasibility with the inclusion of a bespoke hot yoga studio and additional smaller studio. The number of classes has increased to account for the provision of hot yoga, and additional daytime use for children's activities (e.g. mini gymnastics, etc.) has been allocated to the space. This takes account of the exclusion of</p>

CHILTERN DC – CHILTERN LIFESTYLE CENTRE STAGE 2 DESIGN - BUSINESS PLAN UPDATE

Activity area	Key features and business plan implications
	<p>the moveable walls to the squash courts.</p> <p>The proposed health and fitness offer is sufficient to accommodate the anticipated 4,400 members as well as any additional members it may be successful in attracting (e.g. 5,000 plus).</p>
Adventure Play	<p>This is a combination of the soft play and clip 'n climb facility. This has increased in size since the last iteration of the plan to reflect the need to accommodate as much seating as possible, as this drives income generation. The current design accommodates circa 120 covers within the area. This will enable the facility to accommodate circa 25 admissions per hour into the soft play facility at peak time (assuming most admissions will stay for two hours and one admission will include one adult and one child as an average).</p> <p>This accommodates sufficient peak time usage and allows additional catering provision to service party bookings.</p>
Spa	<p>The spa facility is spread over two floors and accommodates 4 single treatment rooms and one double. It will also accommodate a robed dining area, large relaxation area as well as a range of hot and cold spa experiences. The spa experience zone will be accommodated on the lower ground floor and offer a range of hot, cold and mud experiences, which will be an attraction in themselves (excluding the treatment rooms).</p>
Squash	<p>The squash courts as designed will only provide access to squash (and potentially some table tennis). This is due to the removal of the moveable wall between the courts. However, previously programmed activity will be accommodated in the increased studio spaces.</p>
Climbing	<p>The climbing area has been a concern and advice has been sought from Venture Extreme. The area has increased in size following ongoing discussion.</p> <p>The challenge is still that the climbing facility may be viewed by current users as a reduction in amenity and may impact on level of use. However, the facility will have significantly greater visibility within the centre which should help to drive cross selling of activity and use of the space.</p>

The centre will also include co-located community services and facilities as follows:

Activity area	Key features and business plan implications
Library	<p>At present the library service is managed by the County Council and at this stage is envisaged to operate as a stand-alone business unit. However, there is the potential that the leisure operator could be asked to tender for the operation of the library.</p> <p>There may be economies of scale aligned to reception cover as well as increased use of the leisure facility through direct marketing to library customers. However, this is anticipated to have minimal impact on the business case.</p>
Pre-school nursery	<p>Provision for up to 50 children has been designed at this stage. Again this will operate as a stand-alone business and will not impact on the operation of the leisure facility.</p>
Community Centre	<p>The facility is being re-provided with enhancements to account for changes in legislation and design guidance. The facility will operate as a stand-alone business and can be locked off from the rest of the centre when it operates out of hours. However, it will be important to ensure that the facility is integral to the overall Lifestyle Centre and does not separate itself from the</p>

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Activity area	Key features and business plan implications
	wider operation.

The business plan has been developed on the basis that each of the above facilities will operate as a stand-alone business and will account for its cost of operation as appropriate. However, the business plan has accounted for £332k in utilities costs which we anticipate will be sufficient to cover the costs of the heating, lighting, cooling and water supply for the full building; therefore it is anticipated that this will be recharged to each of the organisations at an agreed rate. However, all other costs associated with operation of the above facilities (e.g. maintenance costs, cleaning, staffing, etc.) will be the responsibility of the respective organisations.

At this stage of the design process the decision has been made to find an alternative venue for the Chiltern Youth Club as the nature of their requirements restricts use of the space for other activities when it is not used as a youth club venue.

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FINANCIAL BUSINESS PLAN OPTIONS APPRAISAL

The Council has requested that business plan scenarios are developed in order that it can understand the potential implications of the financial performance of the facility. The options seek to enable the Council to make informed decisions about the size and scale of the capital development and its approach to pricing, at the point at which it has a new facility.

The following business plan options have been developed:

Business plan options	Rationale
Base business plan projected forward to 2022 pricing and costs.	To provide an appropriate picture of the income and expenditure potential at the point the facility will become operational. 2% increase applied to key prices and expenditure items.
Option 1 – Base business plan with a more commercial approach to pricing	To understand the potential financial benefit from a more commercial approach to pricing, taking into account the Council's investment in a high quality facility.

Base Business plan

The base financial business plan is a further development of the Stage 2 Feasibility Study, taking into account some of the key challenges presented within the latest design. The financial outturn summary is based on the following key assumptions about the performance of the facility:

- ◀ Prices and salaries inflated by 2% annually to 2022.
- ◀ Review of other costs to reflect the passing of time.
- ◀ Over 1,300 attendees on swimming lessons each week.
- ◀ 4,400 Health and Fitness members.
- ◀ Over 100 group fitness classes per week.
- ◀ In excess of 800,000 users of the facility per annum
- ◀ Over 100,000 visits to the adventure play facility.
- ◀ Increased time available for public swimming, enabling more people to access the pool at a wider range of times.
- ◀ Increased time available for swimming and diving clubs enabling both to accommodate more participants.
- ◀ Over 250 hours per week of instructed activity across all aspects of the facility.
- ◀ The £332k of utilities costs is anticipated to be sufficient to cover the costs of the heating, lighting, cooling and water supply for the full building; however, all other costs will be the responsibility of each tenant.

The basis for price increases is detailed overleaf. It uses the current price point for 2018 and applies 2% inflation annually to achieve the anticipated price list at the point where the facility opens. This does not apply any increase associated with the improved facilities.

The business plan provides a profile of the income and expenditure for the first full year of trading, based on prices from 2022.

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Pricing projections to 2022

Activity	2018 average price	2019	2020	2021	2022
H&F - Adult	49.00	49.98	50.98	52.00	53.04
H&F - Junior	24.00	24.48	24.97	25.47	25.98
H&F - Senior	33.00	33.66	34.33	35.02	35.72
H&F UK wide	56.00	57.12	58.26	59.43	60.62
Pre-sales and cancellations	35.50	36.21	36.93	37.67	38.43
Fitness class	6.00	6.12	6.24	6.37	6.49
Hot yoga class	12.00	12.24	12.48	12.73	12.99
Studio hire	35.00	35.70	36.41	37.14	37.89
Adult swim	3.75	3.83	3.90	3.98	4.06
Junior swim	2.15	2.19	2.24	2.28	2.33
swimming lesson	8.25	8.42	8.58	8.75	8.93
Aquafit	5.70	5.81	5.93	6.05	6.17
Pool Party Hire	114.45	116.74	119.07	121.46	123.88
Swim club lane	14.25	14.54	14.83	15.12	15.42
Gala hire (main pool only)	114.00	116.28	118.61	120.98	123.40
Diving pool (new)					50.00
Sports hall junior club	33.65	34.32	35.01	35.71	36.42
Sports hall adult club	49.20	50.18	51.19	52.21	53.26
Sports hall block booking	49.20	50.18	51.19	52.21	53.26
Badminton court - peak	12.10	12.34	12.59	12.84	13.10
Badminton court - off-peak	9.80	10.00	10.20	10.40	10.61
60+	4.85	4.95	5.05	5.15	5.25
Sports hall party	70.25	71.66	73.09	74.55	76.04
Dryside instructed session	6.00	6.12	6.24	6.37	6.49
Climbing peak adult	7.10	7.24	7.39	7.53	7.69
Climbing peak junior	5.05	5.15	5.25	5.36	5.47
Climbing off peak adult	6.25	6.38	6.50	6.63	6.77
climbing off peak junior	3.95	4.03	4.11	4.19	4.28
Climbing course	10.00	10.20	10.40	10.61	10.82
Climbing party	119.65	122.04	124.48	126.97	129.51
Squash court - Adult	8.00	8.16	8.32	8.49	8.66
Squash court - Junior	5.00	5.10	5.20	5.31	5.41
Soft Play peak	6.50	6.63	6.76	6.90	7.04
Soft Play off-peak	4.00	4.08	4.16	4.24	4.33
Soft play party	120.00	122.40	124.85	127.34	129.89
Clip 'n climb	9.00	9.18	9.36	9.55	9.74
Clip 'n climb party	120.00	122.40	124.85	127.34	129.89
Spa experience	15.00	15.30	15.61	15.92	16.24
Average treatment charge	30.00	30.60	31.21	31.84	32.47

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Based on the above approach to pricing, the outturn base business plan for the operation of the new facility is detailed below:

Base business plan 2022

	Chiltern pools	New Chiltern Lifestyle Centre				
	Current	2022	2023	2024	2025	2026
Income	0	0	0	0	0	0
Swimming pool	0	1,132,617	1,245,879	1,270,796	1,296,212	1,322,137
Diving	0	15,750	17,325	17,672	18,025	18,385
Sports Hall	0	150,728	165,801	169,117	172,499	175,949
Activity-Dance Studios	0	125,288	137,817	140,574	143,385	146,253
Soft Play	0	300,818	330,900	337,518	344,268	351,154
Clip & Climb	0	168,340	185,174	188,877	192,655	196,508
Climbing	0	167,411	184,152	187,835	191,592	195,424
Health & Fitness Membership	0	1,215,437	1,626,229	1,951,475	1,990,504	2,030,314
Squash courts	0	28,846	31,731	32,366	33,013	33,673
General Catering	0	354,349	389,784	397,580	405,531	413,642
Soft Play Catering		116,778	128,456	131,025	133,646	136,319
Spa		322,944	359,600	395,560	403,471	411,541
Sales of goods	0	40,000	44,000	44,880	45,778	46,693
	0					0
Total Income	£1,676,571	£4,139,307	£4,846,848	£5,265,274	£5,370,579	£5,477,991
Expenditure						
Cost of Sales	0	204,451	224,896	229,394	233,982	238,661
Staff Related	0	1,935,865	2,026,822	2,124,782	2,188,526	2,249,857
Building Related	0	631,000	643,620	656,492	669,622	683,015
Supplies and Services	0	360,750	380,965	386,784	392,720	398,774
Cash Collection	0	11,000	11,220	11,444	11,673	11,907
Support Services	0	122,500	124,950	127,449	129,998	132,598
Operator Profit	0	248,358	290,811	315,916	322,235	328,679
Assumed profit and costs	410,000					
Total Costs	£1,876,065	£3,513,924	£3,703,284	£3,852,263	£3,948,756	£4,043,492
Surplus / Deficit	-199,494	£625,383	£1,143,564	£1,413,011	£1,421,824	£1,434,500
Annualised Capital Cost		£155,075	£155,075	£155,075	£155,075	£155,075
Net Surplus / Deficit	-£199,494	£470,308	£988,489	£1,257,936	£1,266,749	£1,279,425
VAT on Management Fee		-£78,385	-£164,748	-£209,656	-£211,125	-£213,237
Net benefit to the Council		£391,923	£823,741	£1,048,280	£1,055,624	£1,066,187
Variance from current		£591,417	£1,023,235	£1,247,774	£1,255,118	£1,265,681

The above business plan only takes account of the leisure activity trading and does not account for any income associated with the community facilities (e.g. rent from the library, community association and pre-school nursery). The financial performance at year three is likely to result in the operator generating a surplus of almost **£1.26 million** from the operation

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of the new facility. This equates to the potential Management Fee that the Council could expect from the operator.

VAT

It is also worth noting that when the operator agrees the relevant management fee with the Council (e.g. based on the baseline business plan); the Council will not receive the full £1.26 million. This is income to the Council and will be subject to VAT @ 20%. This is on the basis that the Council will be looking to reclaim the VAT on the capital investment; therefore, it will need to pay VAT on any income it subsequently generates as a result of the investment. Based on the above business plan, the VAT will be in the region of **£210k** from Year 3, which gives a Net benefit to the Council of almost **£1.05 million**.

However, taking into account that the Council currently contributes just short of **£200k** per annum to the current leisure management contract this gives an overall benefit to the Council of almost **£1.25 million**.

Option 1 - Base business plan with a more commercial approach to pricing

This option takes into account the fact that the Council will be investing circa £34 million in total in the new lifestyle centre and that the potential exists to reflect this in its pricing policy. Therefore, rather than just applying inflation to the current price list, the Council has an opportunity to test what the market can withstand from a price perspective. This should be undertaken as part of the Council's leisure management procurement process as it will be important for operators to identify what they feel the market will withstand and their confidence in achieving the potential income targets.

KKP's 'more commercial approach to pricing' does not in any way move the Council to providing a 'David Lloyd type facility' which sets membership levels at £80 to £100 per month. However, it does focus on slightly higher prices on the key income generation activities of health and fitness and swimming. In general prices are between 4% and 15% higher than the current prices (inflated to 2022). The potential contentious price increases will relate to 11% increase on an adult swim, 15% increase on a fitness class and 7% increase on a junior swim. Other price increases (e.g. 15% increase on a badminton court hire) are not deemed as challenging as the facilities do not currently exist within the existing Chiltern Pools.

As identified above, the key challenge will be to understand potential operators' approach to pricing and what they feel the market will withstand, based on the Council investing £34 million in a new facility. The pricing proposals which form the basis of the revised approach are detailed overleaf:

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Approach to commercial pricing

In order to identify where increased prices may be appropriate we have used the projected inflation based price increases to 2022 and identified further increases to specific activities where we feel there is scope to maximise income. In most instances this is the main income generating activities where we feel this is justified based on the drastically improved facilities.

Activity	2018 average price	2019	2020	2021	2022	Commercial pricing 2022
H&F - Adult	49.00	49.98	50.98	52.00	53.04	57.00
H&F - Junior	24.00	24.48	24.97	25.47	25.98	28.00
H&F - Senior	33.00	33.66	34.33	35.02	35.72	37.00
H&F UK wide	56.00	57.12	58.26	59.43	60.62	63.00
+ Hot Yoga supplement						15.00
Pre-sales and cancellations	35.50	36.21	36.93	37.67	38.43	41.00
Fitness class	6.00	6.12	6.24	6.37	6.49	7.50
Hot yoga class	12.00	12.24	12.48	12.73	12.99	15.00
Studio hire	35.00	35.70	36.41	37.14	37.89	40.00
Adult swim	3.75	3.83	3.90	3.98	4.06	4.50
Junior swim	2.15	2.19	2.24	2.28	2.33	2.50
swimming lesson	8.25	8.42	8.58	8.75	8.93	9.00
AquaFit	5.70	5.81	5.93	6.05	6.17	6.50
Pool Party Hire	114.45	116.74	119.07	121.46	123.88	130.00
Swim club lane	14.25	14.54	14.83	15.12	15.42	
Gala hire (main pool only)	114.00	116.28	118.61	120.98	123.40	
Diving pool (new)					50.00	
Sports hall junior club	33.65	34.32	35.01	35.71	36.42	
Sports hall adult club	49.20	50.18	51.19	52.21	53.26	60.00
Sports hall block booking	49.20	50.18	51.19	52.21	53.26	60.00
Badminton court - peak	12.10	12.34	12.59	12.84	13.10	15.00
Badminton court - off-peak	9.80	10.00	10.20	10.40	10.61	11.00
60+	4.85	4.95	5.05	5.15	5.25	
Sports hall party	70.25	71.66	73.09	74.55	76.04	80.00
Dryside instructed session	6.00	6.12	6.24	6.37	6.49	
Climbing peak adult	7.10	7.24	7.39	7.53	7.69	
Climbing peak junior	5.05	5.15	5.25	5.36	5.47	
Climbing off peak adult	6.25	6.38	6.50	6.63	6.77	
climbing off peak junior	3.95	4.03	4.11	4.19	4.28	
Climbing course	10.00	10.20	10.40	10.61	10.82	
Climbing party	119.65	122.04	124.48	126.97	129.51	
Squash court - Adult	8.00	8.16	8.32	8.49	8.66	10.00
Squash court - Junior	5.00	5.10	5.20	5.31	5.41	6.00
Soft Play peak	6.50	6.63	6.76	6.90	7.04	7.5

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Activity	2018 average price	2019	2020	2021	2022	Commercial pricing 2022
Soft Play off-peak	4.00	4.08	4.16	4.24	4.33	5
Soft play party	120.00	122.40	124.85	127.34	129.89	140
Clip 'n climb	9.00	9.18	9.36	9.55	9.74	
Clip 'n climb party	120.00	122.40	124.85	127.34	129.89	140
Spa experience	15.00	15.30	15.61	15.92	16.24	
Average treatment charge	30.00	30.60	31.21	31.84	32.47	

The commercial pricing identified reflects where we think the operator could pitch its pricing point for specific activities in order to reflect the improved quality of facility.

As an example, we have compared this against pricing for key fitness activities at Westminster Lodge LC in St Albans (limited information is available for price comparison). As can be seen, the proposed price for the main income generator (Adult Health and Fitness monthly direct debit membership) at the facility is only £2.50 above the 2018 price at Westminster Lodge. If the pricing at Westminster Lodge increases with inflation, it is anticipated that by 2022 it will be £2 above the proposed commercial price for the Chiltern Lifestyle Centre.

Activity	Westminster Lodge 2018 pricing	Assumes 2% per annum price increase				Proposed Chiltern Commercial pricing
		2019	2020	2021	2022	
H&F - Adult	54.50	55.59	56.70	57.84	58.99	57.00
H&F - Junior	34.50	35.19	35.89	36.61	37.34	28.00
H&F - Senior	34.50	35.19	35.89	36.61	37.34	37.00

Therefore, the proposed commercial pricing seeks to maximise income from key activities where possible, rather than proposing a high end commercial fitness operator pricing structure which would be in the region of £80 to £100 per month membership.

The impact of the above approach to pricing is summarised in the trading account detailed overleaf:

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Option 1 - Base business plan with a more commercial approach to pricing

	Chiltern pools	New Chiltern Lifestyle Centre				
	Current	2022	2023	2024	2025	2026
Income	0	0	0	0	0	0
Swimming pool	0	1,171,457	1,288,603	1,314,375	1,340,662	1,367,476
Diving	0	15,750	17,325	17,672	18,025	18,385
Sports Hall	0	158,798	174,678	178,171	181,735	185,370
Activity-Dance Studios	0	137,288	151,017	154,037	157,118	160,260
Soft Play	0	325,205	357,725	364,880	372,177	379,621
Clip & Climb	0	171,542	188,696	192,470	196,320	200,246
Climbing	0	167,411	184,152	187,835	191,592	195,424
Health & Fitness Membership	0	1,254,408	1,766,168	2,119,401	2,161,789	2,205,025
Squash courts	0	32,514	35,766	36,481	37,210	37,955
General Catering	0	354,349	389,784	397,580	405,531	413,642
Soft Play Catering		116,778	128,456	131,025	133,646	136,319
Spa		322,944	359,600	395,560	403,471	411,541
Sales of goods	0	75,000	82,500	84,150	85,833	87,550
	0					0
Total Income	£1,676,571	£4,303,444	£5,124,469	£5,573,637	£5,685,110	£5,798,812
Expenditure						
Cost of Sales	0	218,451	240,296	245,102	250,004	255,004
Staff Related	0	1,935,865	2,026,822	2,124,782	2,188,526	2,249,857
Building Related	0	631,000	643,620	656,492	669,622	683,015
Supplies and Services	0	360,750	380,965	386,784	392,720	398,774
Cash Collection	0	11,000	11,220	11,444	11,673	11,907
Support Services	0	122,500	124,950	127,449	129,998	132,598
Operator Profit	0	258,207	307,468	334,418	341,107	347,929
Assumed profit and costs	410,000					
Total Costs	£1,876,065	£3,537,773	£3,735,341	£3,886,472	£3,983,650	£4,079,083
Surplus / Deficit	-199,494	£765,671	£1,389,128	£1,687,165	£1,701,460	£1,719,728
Annualised Capital Cost		£155,075	£155,075	£155,075	£155,075	£155,075
Net Surplus / Deficit	-£199,494	£610,596	£1,234,053	£1,532,090	£1,546,385	£1,564,653
VAT on Management Fee		-£101,766	-£205,676	-£255,348	-£257,731	-£260,776
Net benefit to the Council		£508,830	£1,028,378	£1,276,741	£1,288,654	£1,303,878
Variance from current		£708,324	£1,227,872	£1,476,235	£1,488,148	£1,503,372

The above business plan only takes account of the leisure activity trading and does not account for any income associated with the community facilities (e.g. rent from the library, community association and pre-school nursery). The financial performance at year three is likely to result in the operator generating a surplus of almost **£1.53 million** from the operation of the new facility. This equates to the potential Management Fee that the Council could expect from the operator.

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VAT

It is also worth noting that when the operator agrees the relevant management fee with the Council (e.g. based on the above year 3 business plan); the Council will not receive the full £1.53 million. This is income to the Council and will be subject to VAT @ 20%. This is on the basis that the Council will be looking to reclaim the VAT on the capital investment; therefore, it will need to pay VAT on any income it subsequently generates as a result of the investment. Based on the above business plan, the VAT will be in the region of **£255k** from Year 3, which gives a Net benefit to the Council of almost **£1.276 million**.

However, taking into account that the Council currently contributes just short of **£200k** per annum to the current leisure management contract this gives an overall benefit to the Council of almost **£1.476 million**.

Summary

Based on the two options identified, it is clear that both generate a healthy surplus income which will contribute significantly to the Council being able to repay some of the capital invested in the facility. However, it is clear that greater financial benefit is derived from increasing prices in line with the new investment (i.e. Option 1).

Surplus income (variance from current)	Current	2022	2023	2024	2025	2026
Baseline	-199,494	£591,417	£1,023,235	£1,247,774	£1,255,118	£1,265,681
Option 1	-199,494	£708,324	£1,227,872	£1,476,235	£1,488,148	£1,503,372

Although the above analysis identifies that there are potential additional gains to be generated from a more commercial approach to pricing (i.e. based on the investment in high quality facilities) the Council will need to test the appetite for this approach with potential operators. Some operators may feel that these targets are too ambitious and that to increase the pricing to this level could reduce the market penetration for some activities. The Council will need to request a variant financial plan from bidders (i.e. giving them a free hand at pricing activities) within its procurement process to assess the degree of risk that operators may be prepared to take within the contract.

The Council will also need to give due consideration to the potential public perception of increasing prices and the ramifications that this may have.

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CAPITAL COST SUMMARY

Appleyard and Trew's latest capital cost summary is detailed below. This includes the cost associated with the community facilities created as part of the development.

Cost category			Stage 2 costs
Demolition/Site Clearance			
Demolition of existing buildings etc.			500,000
Building Costs	m ²		25,224,396
Wetside accommodation	2,023		
Dryside accommodation	7,897		
Total	9,920 m ²		
Abnormal Building Costs (included within the above)			
Timing equipment	85,000		
Dry dive	100,000		
Climbing wall /bouldering	200,000		
Floating floor	300,000		
Diving	305,000		
Health Suite fit-out	100,000		
Clip and Climb	200,000		
Library fit out	25,000		
Soft Play	75,000		
Splash Pool fittings	100,000		
Total	1,490,000		
External Works/Drainage, Incoming Services etc.			1,450,000
		Sub total	27,174,396
Inflation allowance (2Q 2018 - 2Q 2020) 5.0%			1,358,720
		Sub total	28,533,115
Professional Fees - lump sum			2,750,000
Client FF&E (loose furniture/equipment)			200,000
		Sub total	31,483,115
Client Contingency/Risk	7.5%		2,361,234
		Sub total	33,844,349
VAT - assume not paid			0
TOTAL			£ 33,844,349

Within the above costs, circa £4 million is attributed to the development of the community facilities. The detail behind this is as follows:

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Cost category			Stage 2 costs
Demolition/Site Clearance Demolition of existing buildings etc.			
Building Costs	m ²		3,186,000
Ground floor	934		
First floor	548		
Associated plant room	111		
Total	1,593 m ²		
Abnormal Building Costs (included within the above)			
Timing equipment	n/a		
Dry dive	n/a		
Climbing wall /bouldering	n/a		
Floating floor	n/a		
Diving	n/a		
Health Suite fit-out	n/a		
Clip and Climb	n/a		
Library fit out	25,000		
Soft Play	n/a		
Splash Pool fittings	n/a		
Total	25,000		
External Works/Drainage, Incoming Services etc.			100,000
		Sub total	3,311,000
Inflation allowance (2Q 2018 - 2Q 2020) 5.0%			165,550
		Sub total	3,476,550
Professional Fees - lump sum			250,000
Client FF&E (loose furniture/equipment)			50,000
		Sub total	3,776,550
Client Contingency/Risk	7.5%		283,241
		Sub total	4,059,791
VAT - assume not paid			0
TOTAL			£ 4,059,791

Capital repayment

Based on the Council's requirement to borrow £34 million over a 45 year period, it is estimated that the annual cost of this would be £1,323,858 per annum. This equates to an annual repayment of £38,937 per annum for every £1 million borrowed.

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Based on the costs of the development identified above, this would be in the region of £1,168,110 per annum for the leisure facilities and £155,748 per annum for the community facilities.

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COMMUNITY FACILITIES REVIEW

The Amersham Library, like the majority of libraries, does not generate any significant income from its activities, while other tenants (i.e. Amersham and District Community Association and Lindfield Pre-school Nursery) are registered charities and seek to break even rather than generating healthy surpluses.

The key challenge with respect to the above 'community facilities' will be the degree to which CDC can charge an appropriate rent for the space given the overall improvement in provision.

A summary of the known costs from the County Council with respect to the Library and Youth Centre are as follows:

Cost centre	Youth Centre	Library
Electricity	£4,687	£7,457
Soft Facilities management	£3,596	£1,393
Capital spend – asbestos remediation		£9,190
Capital spend – replace fire alarm	£3,703	
Average maintenance costs (last 5 years)	£4,021	£7,256
Total	£16,007	£25,296

A review of the accounts for the two charities identifies that both operate with minimal surplus income.

Lindfield Nursery

Lindfield Nursery generates over 50% of its funding from Government Grants for early years childcare. This then means it has minimal 'nursery occupancy time' to generate additional or increased income from parents. Given the nature and legislation involved in nursery provision the organisation's staff costs are running at 65% of income. In addition to this, the organisation needs to employ a Financial Administrator at an additional 6.5% of income.

The nursery currently pays in the region of £12.5k per annum to the Chiltern Youth Club for Rent and Repairs to the building. Assuming it is paying half of the above average maintenance costs for the building it is estimated that its annual rent on the premises is £10.5k per annum.

The nursery has a general fund of circa £50k which it uses to balance its accounts and for any eventualities. This equates to approximately 5 months of staff costs for the business.

Amersham and District Community Association

The Amersham and District Community Association generates just over £100k per annum from its activities with circa 90% of income generated from lettings. This income is not only generated from the replacement facilities within the development (i.e. Drake Hall) but also the other rooms the organisation has (e.g. Barn Hall and Annex). It is worth noting that bar takings at the facility are minimal and account for less than 5% of income. Staff costs for the facility are currently running at 39% of income.

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The Association has spent in the region of £9k per annum on repairs and maintenance, however in 2017 it spent over £38k as a result of roof and boiler repairs. It also spends circa £12k on rent, water and insurance and £17k on lighting and heating; which are all minimal.

The Association has built up healthy reserves over recent years and currently has an Emergency Reserve of £40k, Building Reserve of £46k and an Equipment Replacement Reserve of £20k. It is assumed that these reserves will enable the Association to manage a seamless transfer into the new facility and fit out the facility as it requires.

No information is currently available for the operation of the library other than the financial information provided by the County Council with respect to asset management.

Commercial rents

From the cost of capital review it is clear that the Council will need to generate circa ££155,748 per annum from the use of these spaces in order for them to cover the development costs.

If the Council was to rent the size of area on a commercial basis it could, based on a review of other 'commercial' properties currently available in the Amersham area, seek to charge circa £200 to £250 per m² per annum.

On this basis the potential rental income from the above organisations could be as follows:

Organisation	Area m ²	Minimum rent @ £200	Maximum rent @ £250
Library	298	£59,600	£74,500
Pre-school Nursery	421	£84,200	£105,250
Community Association	574	£114,800	£143,500

However, given the nature of the organisation it is unlikely that the above rental values could be achieved.

In summary, it is clear that the Council is unlikely to generate sufficient income from rent from the above organisation to cover the cost of capital and definitely not on the basis of charging a commercial rent on the property. Therefore, there will be a need for the Council to enter into negotiation with Bucks County Council (as the provider of pre-school education and library services) and the Community Association to consider how it will cost their access to the new development.

It is anticipated that the negotiation with the County will focus on a potential capital contribution, rental agreement or enabling development. However, the negotiation with the Community Association also needs to consider the range of tenants it accommodates (i.e. not in competition with the leisure operator) as well as its approach to charging commercial rates for commercial activities.

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CAPITAL AND REVENUE GAP ANALYSIS

This section considers the gap between the capital cost of the development and the ability of the Council to repay part of the capital from the management fee it is likely to generate from the development of the new facility. This builds on the revenue business plan options as well as the assumption that £1 million of capital costs **£38,937** per annum in repayments over a **45 year** period (based on PWLB analysis on £34 million over 45 years)

Capital repayment from revenue generated

Base Business Plan	2022	2023	2024	2025	2026
Rate per £1 million @ 45 years	38,937	38,937	38,937	38,937	38,937
Borrowing capacity £ million	£15.2	£26.3	£32.0	£32.2	£32.5

Option 1 - Base + more commercial pricing	2022	2023	2024	2025	2026
Rate per £1 million @ 45 years	38,937	38,937	38,937	38,937	38,937
Borrowing capacity £ million	£18.2	£31.5	£37.9	£38.2	£38.6

Based on the above analysis (based on Year 3 outturn) and taking into account the need to borrow £34 million, the following can be identified:

- ◀ The base business plan, taking into account inflation on current prices, enables the Council to borrow £32 million which leaves a funding gap of **-£2 million**. However, the base business plan covers the total cost of the leisure development, which is currently estimated to be in the region of £30 million.
- ◀ Option 1, which includes a more commercial approach to pricing, provides sufficient income to cover the cost of borrowing for the full development (i.e. £37.9 million).
- ◀ The above analysis does not include any rental income from the library, pre-school nursery or community association. Based on the above borrowing rates, for every £39k of rent that the Council can negotiate from these tenants, it reduces its funding gap by £1 million.

However, it should be recognised that this level of borrowing will only be achieved if potential bidders are confident that they can achieve the income levels identified within the business case. Furthermore, the above reinforces the need for the Council to consider how it enables its bidders to develop competitively priced tenders and where possible maximise income from specific activities in order to provide a higher return on investment for the Council. It is clear that a more commercial approach to pricing is the most important aspect in the Council maximising its revenue potential.

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ACTIVITY AREA REVIEW

The Council has asked for a review of the capital cost and revenue projections by functional activity area. KKP has undertaken this analysis based on the clustering of key activity areas and the linkages between each. The areas identified and rationale for their grouping include the following:

Activity area	Capital cost	Rationale for grouping
Swimming pools	£9.5 million	Includes all swimming pool income and expenditure as well as that associated with the dry dive facility. This is on the basis that the only income from the dry dive will be associated with the swimming and diving clubs and is fundamentally linked to the development and expansion of the diving club.
Sports hall	£2.7 million	Includes all income and expenditure associated with the sports hall, but also includes holiday playscheme income
Health & fitness	£5.2 million	Includes all income from health and fitness membership, casual group fitness income as well as junior activities (e.g. mini gymnastics) taking place in the studios.
Adventure play	£2.1 million	Includes all income and expenditure associated with the soft play, clip 'n climb and catering for this area.
Climbing	£1.2 million	Includes all income and expenditure associated with the climbing facility.
Squash	£0.5 million	Includes all income and expenditure associated with the squash facility.
Spa	£2.3 million	Includes all income and expenditure associated with the spa.
General	£6.4 million	Includes income and expenditure from general catering as well as the apportionment of cost for general circulation (e.g. the street).

We have applied the income and expenditure for the operation of the facility at year 3 and included the annualised capital cost. The outcome of the analysis identified the following apportionment of income and expenditure from each of the identified activity area groupings for each of the business plan options.

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Baseline business plan apportionment

	Swimming pool	Sports hall	Health & fitness	Adventure play	Climbing	Squash	Spa	General	Total
Income									
Swimming pool	1,270,796	0	0	0	0	0	0	0	1,270,796
Diving	17,672	0	0	0	0	0	0	0	17,672
Sports Hall	0	169,117	0	0	0	0	0	0	169,117
Activity-Dance Studios	0	0	140,574	0	0	0	0	0	140,574
Soft Play	0	0	0	337,518	0	0	0	0	337,518
Clip & Climb	0	0	0	188,877	0	0	0	0	188,877
Climbing	0	0	0	0	187,835	0	0	0	187,835
Health & Fitness Membership	0	0	1,951,475	0	0	0	0	0	1,951,475
Squash courts	0	0	0	0	0	32,366	0	0	32,366
General Catering	0	0	0	0	0	0	0	397,580	397,580
Soft Play Catering	0	0	0	131,025	0	0	0	0	131,025
Spa	0	0	0	0	0	0	395,560	0	395,560
Sales of goods	0	0	0	0	0	0	0	44,880	44,880
Total Income	£1,288,468	£169,117	£2,092,048	£657,420	£187,835	£32,366	£395,560	£442,460	£5,265,274
Expenditure									
Cost of Sales	£8,976	£2,693	£4,488	£63,433	£898	£898	£0	£148,009	£229,394
Staff Related	£644,943	£84,443	£438,579	£321,166	£127,865	£14,173	£238,959	£254,654	£2,124,782
Building Related	£268,059	£49,690	£99,410	£68,708	£27,706	£8,719	£32,024	£102,178	£656,492
Supplies and Services	£77,081	£16,438	£182,403	£50,109	£10,955	£2,310	£34,921	£12,568	£386,784
Cash Collection	£2,632	£343	£4,578	£1,488	£458	£114	£801	£1,030	£11,444
Support Services	£29,313	£3,823	£50,980	£16,568	£5,098	£1,274	£8,921	£11,470	£127,449
Operator Profit	£72,661	£9,477	£126,367	£41,069	£12,637	£3,159	£22,114	£28,432	£315,916
Total Costs	£1,103,665	£166,908	£906,804	£562,541	£185,616	£30,647	£337,741	£558,342	£3,852,263
Surplus / Deficit	£184,803	£2,209	£1,185,244	£94,880	£2,219	£1,719	£57,820	-£115,882	£1,413,011
Annualised Capital Cost	-£41,513	-£9,631	-£43,113	-£27,719	-£1,430	-£990	-£10,643	-£20,038	-£155,075
Net Surplus / Deficit	£143,291	-£7,422	£1,142,132	£67,161	£789	£729	£47,177	-£135,920	£1,257,936
VAT apportion based on income	24.5%	3.2%	39.7%	12.5%	3.6%	0.6%	7.5%	8.4%	100.0%
Base VAT cost @ -£209,656	-£51,305	-£6,734	-£83,302	-£26,178	-£7,479	-£1,289	-£15,751	-£17,618	-£209,656
Net Surplus / Derficit after VAT	£91,986	-£14,156	£1,058,829	£40,983	-£6,691	-£560	£31,427	-£153,538	£1,048,280
Costs split by floor area £m	9.5	2.7	5.2	2.1	1.2	0.5	2.3	6.4	29.9
Annual cost of 45 year loan	£369,902	£105,130	£202,472	£81,768	£46,724	£19,469	£89,555	£249,197	£1,164,216
Surplus / Deficit	-£277,916	-£119,286	£856,357	-£40,784	-£53,415	-£20,028	-£58,129	-£402,735	-£115,936

From the above analysis it is clear that only health and fitness generates sufficient surplus income in order to pay off its capital cost and deliver a surplus. In truth, health and fitness cross subsidises all other activity spaces within the development.

The above apportionment is based on Year 3 outturn and identifies that the overall development has a deficit if -£115k. This in turn reinforces the need for the Council to use the £200k it currently invests in its leisure management contract to develop the facility.

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Option 1 business plan apportionment

	Swimming pool	Sports hall	Health & fitness	Adventure play	Climbing	Squash	Spa	General	Total
Income									
Swimming pool	1,314,375	0	0	0	0	0	0	0	1,314,375
Diving	17,672	0	0	0	0	0	0	0	17,672
Sports Hall	0	178,171	0	0	0	0	0	0	178,171
Activity-Dance Studios	0	0	154,037	0	0	0	0	0	154,037
Soft Play	0	0	0	364,880	0	0	0	0	364,880
Clip & Climb	0	0	0	192,470	0	0	0	0	192,470
Climbing	0	0	0	0	187,835	0	0	0	187,835
Health & Fitness Membership	0	0	2,119,401	0	0	0	0	0	2,119,401
Squash courts	0	0	0	0	0	36,481	0	0	36,481
General Catering	0	0	0	0	0	0	0	397,580	397,580
Soft Play Catering	0	0	0	131,025	0	0	0	0	131,025
Spa	0	0	0	0	0	0	395,560	0	395,560
Sales of goods	0	0	0	0	0	0	0	84,150	84,150
Total Income	£1,332,046	£178,171	£2,273,438	£688,375	£187,835	£36,481	£395,560	£481,730	£5,573,637
Expenditure									
Cost of Sales	£16,830	£5,049	£8,415	£63,433	£1,683	£1,683	£0	£148,009	£245,102
Staff Related	£644,943	£84,443	£438,579	£321,166	£127,865	£14,173	£238,959	£254,654	£2,124,782
Building Related	£268,059	£49,690	£99,410	£68,708	£27,706	£8,719	£32,024	£102,178	£656,492
Supplies and Services	£77,081	£16,438	£182,403	£50,109	£10,955	£2,310	£34,921	£12,568	£386,784
Cash Collection	£2,632	£343	£4,578	£1,488	£458	£114	£801	£1,030	£11,444
Support Services	£29,313	£3,823	£50,980	£16,568	£5,098	£1,274	£8,921	£11,470	£127,449
Operator Profit	£76,916	£10,033	£133,767	£43,474	£13,377	£3,344	£23,409	£30,098	£334,418
Total Costs	£1,115,774	£169,819	£918,131	£564,946	£187,142	£31,617	£339,036	£560,007	£3,886,472
Surplus / Deficit	£216,272	£8,352	£1,355,307	£123,429	£693	£4,864	£56,525	-£78,277	£1,687,165
Annualised Capital Cost	-£41,513	-£9,631	-£43,113	-£27,719	-£1,430	-£990	-£10,643	-£20,038	-£155,075
Net Surplus / Deficit	£174,760	-£1,279	£1,312,194	£95,710	-£737	£3,874	£45,882	-£98,315	£1,532,090
VAT apportion based on income	23.9%	3.2%	40.8%	12.4%	3.4%	0.7%	7.1%	8.6%	100.0%
Base VAT cost @ -£255,348	-£61,026	-£8,163	-£104,154	-£31,537	-£8,605	-£1,671	-£18,122	-£22,070	-£255,348
Net Surplus / Derficit after VAT	£113,734	-£9,441	£1,208,040	£64,173	-£9,342	£2,202	£27,760	-£120,385	£1,276,742
Costs split by floor area £m	9.5	2.7	5.2	2.1	1.2	0.5	2.3	6.4	29.9
Annual cost of 45 year loan	£369,902	£105,130	£202,472	£81,768	£46,724	£19,469	£89,555	£249,197	£1,164,216
Surplus / Deficit	-£256,168	-£114,571	£1,005,568	-£17,594	-£56,066	-£17,266	-£61,795	-£369,581	£112,525

From the above analysis it is clear again that only health and fitness generates sufficient surplus income in order to pay off its capital cost and deliver a surplus. As previous, health and fitness cross subsidises all other activity spaces within the development.

The above apportionment is based on Year 3 outturn and identifies that the overall development could generate a surplus of £112k which is almost enough to pay for the cost of the community side of the development (which is estimated to cost circa £156k per annum). In this scenario there will be a need for the Council to invest some of its £200k subsidy to contribute to the cost of the community development.

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Importance of health and fitness

The above analysis reinforces the need to get the health and fitness component of the facility right in order that it has sufficient scale and capacity to deliver the required income levels in order to cross subsidise the rest of the facility.

Previous reports to the Council have identified the local health and fitness market and analysis of the potential membership levels. This has identified the potential health and fitness membership reaching 3,700 by the end of Year 2, which will increase to around 4,400 by the end of Year 3.

However, KKP's analysis of the current membership levels, national penetration rates and local socio-economic data reinforces that:

- ◀ The current fitness suite has 1,950 members (3.66% penetration) and achieves 38 members per station
- ◀ 14.9% of the UK adult population is a member of a health and fitness club.
- ◀ Based on GLL's analysis of the centre achieving 2,996 members this would require the Council to reduce its specification for the facility to include a 100 station fitness suite.
- ◀ Although KKP's estimated membership level exceeds that of the Leisure Database Company and GLL, it takes into account the dominant socio-economic groups within the catchment and their greater propensity to participate in sport and physical activity.

In addition to the above, KKP undertook soft market testing with a range of leisure management contractors. The financial and membership projections were checked and challenged by Everyone Active and the company felt that the 4,400 members was achievable given the starting point of 2,000 and cited numerous examples of where they had taken over a contract or invested in facility improvements and exceeded the latent demand analysis. The key example cited was in St Albans at Westminster Lodge LC where the latent demand analysis indicated 3,200 members, but they are achieving 5,000 members.

The main challenge that Everyone Active cited was the fact that the quality of the facility needs to be right, but that the initial fly through of the design reinforced that this was the case in Chiltern.

KKP also benchmarked the business plan against other known health and fitness operations which operate their health and fitness facilities at similar membership and income levels projected for Chiltern:

- ◀ From the Council's visit to Crewe Lifestyle Centre it was reported that the operator doubled its health and fitness membership within the first few months of operation, but that it was starting from a low base. However, the operator is currently achieving over 3,000 members after the first full year of trading and is expecting to increase this further in the coming year. The added context for Crewe Lifestyle Centre is that it is 500 yards from Total Fitness, which has 200 station fitness suite, swimming pools and studios.
- ◀ Blackshots Recreation Centre in Grays is a 1970s built leisure centre with a fitness suite extension incorporating a 120 station fitness suite and attracts just over 3,000 direct debit members and almost 2,000 pay as you go members. The health and fitness facility generates £1,650,000 per annum which is in line with the projections for Chiltern.

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The demographic and socio-economic profile of both of these areas is significantly more challenging than Chiltern and both have a combination of mainstream and budget health and fitness operators within their catchments. Therefore, the key challenge for the Council's operator is if they can take the 2,000 current membership (generated from what is a poor quality fitness suite) and double this within a new, high quality facility.

Do nothing

It is worth noting that if the Council chooses not to progress with the development it will need to make a decision on the future of Chiltern Pools. If the Council chooses to continue with Chiltern Pools it will see the management fee it pays to the contractor increase from almost £200k per annum to £700k per annum. This is on the basis that the condition survey for the facility and discussions with GLL has identified the need to undertake significant works to keep the facility open and operational.

Alternatively, the Council could decide to close the facility, although the potential fallout from this type of decision could be significant.

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CONCLUSIONS

The following key conclusions can be drawn from the business plan update, namely:

- ◀ The base business plan is anticipated to generate sufficient income that the Council could borrow circa £32 million, leaving a funding gap of circa £2 million. This also assumes that the Council will invest the current £200k subsidy for its leisure management contract in the new development.
- ◀ In this instance the Council would need to invest from its current capital resources or future capital receipts in order to deliver the facility.
- ◀ If the Council is prepared to allow the operator to maximise its approach to pricing in order to increase the financial return to the Council this could generate sufficient income that the Council could borrow circa £38 million over 45 years.
- ◀ In this instance the Council would need to accept any potential 'fallout' from residents who challenge the increased charges.
- ◀ In both options the Council's leisure management operator will need to be confident that it can achieve the relevant financial targets and that the local market will withstand a more commercial approach to pricing in order to deliver the financial return on investment to the Council.
- ◀ The activity area review and the apportionment of revenue and capital reinforces that health and fitness is the key anchor for the business plan.
- ◀ If the Council decides to halt the project and 'do nothing' it will result in it increasing its management fee for the operation of Chiltern Pools from almost £200k per annum to £700k per annum. Alternatively, the Council could decide to close the facility, although the potential fallout from this type of decision could be significant.

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APPENDIX 1 – SWIMMING POOL PROGRAMMES

8 lane 25m pool		Time																	
Day	Lane	5-6	6-7	7-8	8-9	9-10	10-11	11-12	12-1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11
Monday	1																		
	2		Adult Lane Swim			Lane swim		Adult Lane Swim											
	3																		
	4			School Swimming				School Swimming			School Swimming		Swim for All						
	5																		
	6		Swimming Club				Swim For all												
	7																		
	8													Swim School		Swim for all			Adult Lane Swim
Tuesday	1																		
	2		Adult Lane Swim			Lane swim													
	3																		
	4			School Swimming									Swim School						
	5																		
	6		Swimming Club				Swim For all												
	7																		
	8								Ladies Only Swim		School Swimming								
Wednesday	1																		
	2		Adult Lane Swim			Lane Swim													
	3																		
	4			School Swimming															
	5																		
	6		Swimming Club				Swim For All												
	7												Swim School		Swimming Club		Swimming Club		
	8																		
Thursday	1																		
	2		Adult Lane Swim			Adult Lane Swim													
	3																		
	4			School Swimming															
	5																		
	6		Swimming Club				Swim for all		School Swimming		Swim for all								
	7																		
	8																		
Friday	1																		
	2		Adult Lane Swim			Lane swim													
	3																		
	4			School Swimming															
	5																		
	6		Swimming Club																
	7																		
	8																		
Saturday	1																		
	2																		
	3																		
	4			Swimming Club			swim for all												
	5																		
	6																		
	7																		
	8						Swim School		Swim for all		Aqua Splash		Swim for all						General Hire
Sunday	1																		
	2																		
	3																		
	4																		
	5			Adult Lane Swim															
	6																		
	7																		
	8																		

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Teaching & Diving pool																			
Day	Time																		
	5-6	6-7	7-8	8-9	9-10	10-11	11-12	12-1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12
Monday			School Swimming			Swim school	Swim for all			School Swimming		Swim School		Water Workout	Club diving	Public dive			
Tuesday			School Swimming		Swim for all			Swim school		School Swimming	Swim for all	Swim School		Club diving		Leisure swim			
Wednesday			School Swimming			Swim School		Swim for all		School Swimming	Swim for all	Swim School		Club diving		Sub Aqua			
Thursday			School Swimming		Swim for all		School Swimming		Swim School	School Swimming	Swim for all	Swim School		Water Workout	Club diving	Public dive			
Friday			School Swimming		Swim for all				School Swimming	Swim for all	Swim School		Club diving		Public dive				
Saturday			Swim School			Swim for all	Aqua Splash	Pool Party	Pool Party	Diving Club									
Sunday			Family Swim			Diving Club			Pool Party	Swim for all									

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APPENDIX 2 – BASIS FOR APPORTIONMENT

	Year 3	Swimming pool	Sports hall	Health & fitness	Adventure play	Climbing	Squash	Spa	General	Total
Income	0									
Swimming pool	1,073,974	100%								100%
Diving	17,672	100%								100%
Sports Hall	136,193		100%							100%
Activity-Dance Studios	113,825			100%						100%
Soft Play	311,814				100%					100%
Clip & Climb	174,493				100%					100%
Climbing	170,639					100%				100%
Health & Fitness Membership	1,783,411			100%						100%
Squash courts	27,143						100%			100%
General Catering	363,639								100%	100%
Soft Play Catering	131,025				100%					100%
Spa	329,016							100%		100%
Sales of goods	44,880								100%	100%
Total Income	£4,677,724									
Expenditure										
Cost of Sales										
Food & Beverage	197,866				30%				70%	100%
Other Saleable Items	17,952	50%	15%	25%		5%	5%			100%
Total cost of Sales	£215,818									
Staff Related										
Salaries & Wages	1,311,384	30%	3%	17%	15%	6%	1%	12%	15%	
NI and Pension	220,657	30%	3%	17%	15%	6%	1%	12%	15%	
Instructor wages	356,470	34%	6%	37%	17%	6%	0%	0%	0%	

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	Year 3	Swimming pool	Sports hall	Health & fitness	Adventure play	Climbing	Squash	Spa	General	Total
Instructor on costs	28,518	34%	6%	37%	17%	6%	0%	0%	0%	
Other staff costs	0									
Total Staff Costs	£1,917,028									
Building Related										
Repairs & Maintenance	182,070	35%	8%	15%	15%	7%	2%	8%	10%	100%
Gas	145,656	55%	5%		10%	5%	0%	10%	15%	100%
Electricity	109,242	20%	10%	25%	7%	3%	2%	8%	25%	100%
Water	67,626	75%	4%	8%	1%	1%	1%	5%	5%	100%
CHP Costs	26,010	20%	10%	25%	7%	3%	2%	8%	25%	100%
Industrial cleaning costs	26,010	20%		10%	20%				50%	100%
National non-domestic rates (80% relief)	41,616	30%	20%	20%	10%	4%	2%	4%	10%	100%
Cleaning supplies	14,566	35%	5%	10%	10%	5%	1%	5%	29%	100%
Refuse collection	7,283	5%	3%	5%	30%	2%	2%	3%	50%	100%
Total Building Related costs	£620,078									0%
Supplies and Services										0%
Marketing	62,424	5%	2%	50%	25%	3%		15%		100%
Fitness equipment leasing	90,000			100%						100%
Equipment - new	25,500	25%	25%	20%	30%					100%
Service contracts	67,626	35%	8%	15%	15%	7%	2%	8%	10%	100%
Pool/Spa chemicals	18,207	90%						10%		100%
First aid equipment	260	40%	25%		25%	10%				100%
Clothing and uniforms	6,242	25%		20%	25%			10%	20%	100%
Printing and stationery	10,404	5%	2%	50%	25%	3%		15%		100%
Bank charges	8,323	23%	3%	40%	13%	4%	1%	7%	9%	100%
Telephones	5,202	23%	3%	40%	13%	4%	1%	7%	9%	100%
Insurance	33,293	23%	3%	40%	13%	4%	1%	7%	9%	100%

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	Year 3	Swimming pool	Sports hall	Health & fitness	Adventure play	Climbing	Squash	Spa	General	Total
Information technology	20,808	23%	3%	40%	13%	4%	1%	7%	9%	100%
Consumables	9,364	23%	3%	40%	13%	4%	1%	7%	9%	100%
Vending rentals	5,202	23%	3%	40%	13%	4%	1%	7%	9%	100%
Spa supplies	10,404							100%		100%
Other	3,121	23%	3%	40%	13%	4%	1%	7%	9%	100%
Total Supplies and Services costs	£376,380									0%
Cash Collection										0%
Cash Collection	10,404	23%	3%	40%	13%	4%	1%	7%	9%	100%
Total Cash Collection Costs	£10,404									0%
Support Services										0%
Finance	36,414	23%	3%	40%	13%	4%	1%	7%	9%	100%
Human resources	20,808	23%	3%	40%	13%	4%	1%	7%	9%	100%
Payroll	20,808	23%	3%	40%	13%	4%	1%	7%	9%	100%
Strategic Management	31,212	23%	3%	40%	13%	4%	1%	7%	9%	100%
Legal	10,404	23%	3%	40%	13%	4%	1%	7%	9%	100%
Audit	7,803	23%	3%	40%	13%	4%	1%	7%	9%	100%
Total Support Services Costs	£127,449									0%
Operator Profit										0%
Profit @ 6% of turnover	280,663	23%	3%	40%	13%	4%	1%	7%	9%	100%
Total Operator Profit	£280,663									0%
Assumed profit and costs										0%
Total Costs	£3,547,821									

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Apportionment of salary costs

Designation	Year 3	Swimming pool	Sports hall	Health & fitness	Adventure play	Climbing	Squash	Spa	General	Total
Contract Manager	16,638	20%	5%	20%	20%	5%	2%	18%	10%	100%
General Manager	47,190	20%	5%	20%	20%	5%	2%	18%	10%	100%
Assistant Manager - H & F	36,242			100%						100%
Assistant Manager - junior products	36,242	50%	5%		40%	5%				100%
Assistant Manager - Operations	36,242	50%	5%	10%	10%	5%		10%	10%	100%
Duty Manager	94,613	50%	5%	10%	10%	5%		10%	10%	100%
Senior Recreation Assistants	78,278	50%	5%	10%	10%	5%		10%	10%	100%
Lifeguards	251,487	80%	5%				2%		13%	100%
Climbing Supervisor	31,538					100%				100%
Climbing Assistant	37,723					100%				100%
Fitness Suite Instructors	100,595			100%						100%
Soft Play Leaders	25,149				100%					100%
Sales Advisors	50,297	15%		85%						100%
Cleaners	100,595	30%	5%	5%	10%	3%	3%	10%	34%	100%
Receptionist	100,595	50%	10%	25%		3%	3%	7%	2%	100%
Spa	88,020							100%		100%
Spa Supervisor	31,538							100%		100%
Catering Supervisor	31,538				25%				75%	100%
Catering - General	100,595								100%	100%
Catering - Soft Play	125,744				100%					100%
Maintenance	26,093	50%	20%	10%	10%			5%	5%	100%
Total	£1,446,947.56									

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Designation	Year 3	Swimming pool	Sports hall	Health & fitness	Adventure play	Climbing	Squash	Spa	General	Total
Instructors										
Swimming instructors	£81,259.20	100%								100%
School swimming	7698.24	100%								100%
Aqua Classes - day	2332.8	100%								100%
60+ Activity Instructors	9331.2		100%							100%
Jnr comm sports Instructors	9331.2		100%							100%
Studio classes	97200			100%						100%
Gymnastics - Instructor	9408.96			100%						100%
Gymnastics - Assistant	6272.64			100%						100%
Clip and Climb Instructors	29937.6				100%					100%
Clip and Climb Assistant	19958.4				100%					100%
Climbing Instructors	17107.2					100%				100%
Casual pool staff	11664	100%								100%
	£301,501.44									

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