

EDENBROOK LC FINAL FACILITY MIX OPTIONS

CONCLUSIONS and RECOMMENDATIONS

- It is clear that all options provide the Core Facility Mix required.
- The Basic Option is a utilitarian design, boxlike in appearance, which would sit less well in the parkland setting.
- Options A1 and A2 would offer different design versions of this mix, in relation to the design quality and appearance.
- Option A2 would provide a more aesthetically appropriate appearance for a parkland setting. The design does not, however, impact in any way on the revenue generating capability of the facility, simply the capital cost, although this is marginal.
- Option B provides the Core Facility mix plus additional facility enhancements ie a third pool, moveable floor in the main pool, steam sauna and a climbing wall, and enhanced landscaping. Although requiring a higher level of capital investment than the Basic Option, this option provides the optimum level of operational flexibility, and generates £96,254 per annum. Critically this is only £6k less than for the Basic Option, which only provides the Core Facility Mix. The range of facilities in this option also provides significant flexibility in terms of developing and offering various membership packages around health, fitness and swimming. The critical relationship to consider is that for an additional investment of capital ie £4.48m (compared to the Basic Option), the level of revenue generated is only £6k less than the Basic Option per annum. The benefit of Option B is that it delivers a wider range of community facilities, which provides significantly greater operational flexibility, operational sustainability and is future-proved.
- This therefore represents the best development option in terms of:
 - increasing participation and contributing to community health and well-being
 - meeting current, and critically, future community needs for sports facilities ie future proofing
 - ensuring operational sustainability
 - delivering operational and programming flexibility and effectiveness
 - driving revenue and a return to Hart District Council (HDC)
 - the timescale for payback of additional capital borrowed against the level of revenue generated

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- Option C also provides the Core Facility mix plus additional facility enhancements ie a third pool, moveable floor in the main pool, steam sauna and a climbing wall, and enhanced landscaping. This option requires £656,438m more capital than Option B because the third pool has an additional two lanes. Although this option generates a slightly higher level of revenue, the difference between this and that generated by Option B does not support the business case for the investment of a further £656,438m, given that an additional two lanes will not significantly increase programming flexibility, because there is already a main pool of 8 lanes. The key point about a third pool is that it needs to offer different programming opportunities to the other two pools (main and learner) so that the overall water space operates in a complementary manner, to optimise space and provision of aquatic activities, as opposed to duplicating them, simply because there is the space to do so.

Based on the above, it is recommended that the Council progress with Option B

If the decision is taken not to raise the additional capital required to progress Option B, then it is recommended that Option A2, is progressed. Although generating less revenue than Option A1, Option A2 would provide a better quality proposition and is likely to sit better in a parkland setting.

Summary of Report

Further to the draft report submitted to the Leisure Centre Working Group on 17 March 2014, more detailed work has been undertaken to refine and review the facility mix options for the new Edenbrook Leisure Centre. A detailed analysis of:

- **capital costs and revenue implications (ie the business case for various different elements),**
 - **and further consideration of capital costs,**
- has been undertaken.

5 facility mix options have been identified for detailed assessment. **These options reflect the minimum facility mix required by the Council, plus the agreed additional provision, which could ideally be included, dependent on revenue and capital implications.**

Table 1 Summary Analysis of Facility Mix Options

OPTION	TOTAL CAPITAL COST	REVENUE IMPACT 25 year Average Net Operating surplus/(loss) including revenue cost of capital	ADVANTAGES	DISADVANTAGES

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OPTION	TOTAL CAPITAL COST	REVENUE IMPACT 25 year Average Net Operating surplus/(loss) including revenue cost of capital	ADVANTAGES	DISADVANTAGES
BASIC - The Core Facility Mix, presented as the Warehouse style, Basic option.	£16,402,978	£102,708	1.Cheapest capital cost 2. Provides core facility mix as identified NB. The original facility mix included a 10 court hall. This can be reduced by approx £600k if the size is reduced to 8 courts	1.Does not 'fit' with parkland setting in terms of appearance and materials used, given the capital costs 2.Does not generate the levels of revenue other options do, specifically in relation to swimming 3.Does not provide the infrastructure appropriate to the ELC location
OPTION A1 - The Core Facility mix with a better quality design.	£17,512,766	£29,475	1.Second cheapest capital cost 2.Provides core facility mix as identified	1.Appearance is unlikely to 'wow' 2.Minimum design creativity and therefore less in keeping with parkland setting 3.Does not generate the levels of revenue for which there is potential, specifically in relation to swimming 4.No additional facilities provided
OPTION A2 – The Core Facility Mix with enhanced design features.	£17,938,208	£4,690	1.Third cheapest capital cost 2.Provides core facility mix as identified 3. Design more in keeping with parkland setting	1.High quality design more reflective of the natural lines to be found in the surrounding countryside 2.Does not generate the levels of revenue for which there is potential, specifically in relation to swimming 3.No additional facilities provided 4. Whilst preferable in design terms and costs only £200k more than A1, neither design will actually contribute directly to increased participation or revenue generation

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HART DISTRICT COUNCIL

OPTION	TOTAL CAPITAL COST	REVENUE IMPACT 25 year Average Net Operating surplus/(loss) including revenue cost of capital	ADVANTAGES	DISADVANTAGES
<p>OPTION B - adds a third swimming pool (25m x 4 lanes) and climbing wall, steam and sauna, enhances the parking and improves the landscaping.</p>	<p>£20,881,302</p>	<p>£96,254</p>	<ol style="list-style-type: none"> 1.Provides the minimum core facility mix plus identified enhancements; will therefore facilitate increased participation across a wider range of facilities and activities. 2. Greater range of facilities will generate increased revenue. 3.Creates greater programme flexibility (due to moveable floor in main pool), and thus the opportunity to meet unmet and latent demand for a variety of activities 4.Generates more net income than a two pool facility mix 5.Increases the usable water space during periods of maximum demand, such as Sunday family swim periods 6.Delivers increased teaching space to meet the present unmet demand (there is a continuous waiting list period of three months). Swimming lessons and Fitness Gym generate the highest levels of net income. 7.Delivers additional club training space for sub aqua and competition swimmers. 8.The third pool would act as a warm up pool for galas, thus enabling some public access to be retained in the learner pool during swimming galas/competitions. 9.Swimming acts as an introduction to the leisure centre and creates local loyalty. The larger the programme the wider the target group and the greater the loyal customer base 10. This option is future-proofed in that it will meet current and future participation needs, as the Hart population grows 	<ol style="list-style-type: none"> 1.Higher capital cost; however the relationship between a higher capital Investment and revenue return is better

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OPTION	TOTAL CAPITAL COST	REVENUE IMPACT 25 year Average Net Operating surplus/(loss) including revenue cost of capital	ADVANTAGES	DISADVANTAGES
<p>OPTION C – as Option B with the addition of 2 lanes to the 3rd pool ie 6 lanes x 25m.</p>	<p>£21,537,740</p>	<p>£41,101</p>	<p>1.Provides the minimum core facility mix plus identified enhancements; will therefore facilitate increased participation across a wider range of facilities and activities 2. Provides additional water space. 3.Generates similar levels of revenue to Option B. 4.Increases the usable water space during periods of maximum demand, such as Sunday family swim periods 5.Delivers increased teaching space to meet the present unmet demand (there is a continuous waiting list period of three months). Swimming lessons and Fitness Gym generate the highest levels of net income. has a moveable floor in the main pool which is critical for flexibility of programming that space. 6.Delivers additional club training space for sub aqua and competition swimmers. 7.The third pool would act as a warm up pool for galas, thus enabling some public access to be retained in the learner pool during swimming galas/competitions. 8. This option is future-proofed in that it will meet current and future participation needs, as the Hart population grows</p>	<p>1. Highest capital cost. 2. Increase in number of pool lanes does not result in significantly increased water space flexibility in the third pool, and therefore how it would be programmed. 3. Less differential between separate pools ie 8 lane and 6 lane, and therefore actually harder to programme. 4. Revenue generation is not significantly increased by addition of additional two lanes.</p>

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Revenue Assumptions

Exclude the cost of operational procurement as this is not part of the facility construction costs

National Non Domestic Rates relief based on £35 per sq.m

A procurement exercise would realise bids higher and lower than this business plan and therefore this plan should be seen as an indicative position.

Central establishment charges included based on current levels incurred by the local authority

The model identifies that the optimum operation will not occur until year 5 and the early years will realise a higher management cost.

This model includes the revenue cost of the leisure centre capital funding at an interest rate of 3.8% over 25 years. The capital sum modelled for each option is different; the sum modelled represents the difference between £7m and the actual capital cost of the facility mix option.

An allowance has NOT been included for inflation on expenditure items

An allowance of 2.5% of the capital costs per annum has been allowed for lifecycle costs.

INTRODUCTION

Further to the draft report submitted to the Leisure Centre Working Group on 17 March 2014, more detailed work has been undertaken to refine and review the facility mix options for the new Edenbrook Leisure Centre.

AGREED CORE FACILITY MIX (referenced in Table 2 below)

- 1 x 4 lane x 20m teaching pool
- 1 x 8 lane main pool, part movable floor to meet competition standards
- Pool spectator seating and pool side competitor seating
- Changing village, preferably with two group changing rooms
- Sports hall x 8 or 10 badminton courts county standard 2 x multi purpose dance / activity studios approx 250m²
- 1 x small multi purpose room approx 85m² with higher ceiling and storage for 20 aerobikes
- 1 x multi use area for crèche/martial arts/ meetings
- Gym x 130 – 150 stations (t b c)
- Dry side changing areas for general use

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- Café and/or vending area
- 300 - 320 space vehicle park and landscaping
- 1 x floodlit full size AGP fenced
- 4 x floodlit 5 a side AGPs fenced
- 2 x intermediate natural turf pitches
- Staff and management suite
- Fixtures and fittings and equipment
- Adequate storage for all activity areas
- 2 x 16 person outdoor changing facilities
- 1 x referees changing area
- 1 x external all user toilet/baby change etc
- Hotel style reception area with retail or vending space
- CHP to service the building

Based on feedback from Members at the Leisure Centre Working Group meeting (17 March 2014), a detailed analysis of:

- **capital costs and revenue implications (ie the business case for various different elements),**
- **and further consideration of capital costs,**

has been undertaken.

5 facility mix options have been identified for detailed assessment.

These options reflect the minimum facility mix required by the Council, plus the agreed additional provision, which could ideally be included, dependent on revenue and capital implications.

Identified Facility Mix Options, Capital Costs and Revenue Implications

The overall summary of the five identified facility mix options, which have been developed as a result of the discussion over the last three months, together with their capital costs and revenue impact are set out in Table 2 below and overleaf.

Risk and contingencies are included in all project fees, below the bottom line, as agreed, at 5%. See Appendix 1 for detailed breakdown of the capital and other project costs.

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Table 2 Summary of Facility Mix Options, Capital Costs and Revenue Implications

FACILITIES/ INFRASTRUCTURE	BASIC OPTION	OPTION A1	OPTION A2	OPTION B	OPTION C
FACILITIES	Base level. Does not take account of the countryside location.	Slightly better design quality.	Enhanced design features and appearance.	Enhanced facility mix; enhanced design features	Enhanced facility mix; enhanced design features
CAPITAL COSTS	£16,402,978	£17,512,766	£17,938,208	£20,881,302	£21,537,740
Core Facility Mix (as set out on p6), No enhancements					
Core Facility Mix					
Slightly enhanced design quality					
Enhanced design and quality					
ADDITIONAL POOL 4 LANE X 25M					
ADDITIONAL POOL 6 LANE X 25M					
CLIMBING WALL					
SAUNA AND STEAM					

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HART DISTRICT COUNCIL

FACILITIES/ INFRASTRUCTURE	BASIC OPTION	OPTION A1	OPTION A2	OPTION B	OPTION C
INFRASTRUCTURE					
ENHANCED LANDSCAPING					
ENHANCED CAR PARKING ie all spaces marked, and surfaced					
SQM	5,331	5,628	5,628	6,435	6,504
REVENUE IMPLICATIONS (including cost of capital, averaged over 25 years)	£102,708	£29,475	£4,690	£96,254	£41,101

N.B To date, no comments have been requested from HDC's planning officer

The financial return on the cost of additional water space reaches an OPTIMUM MIX with 3 pools (1 8lane x 25m; 1 x 25m x 4 lanes and 1 x learner pool; if three pools are developed the moveable floor would go in the 25m x 4 lane tank) x 4 lanes with a movable floor ie Option B. Any size above this (e.g. pool 3 x 6 lanes or pool 2 x 10 lanes) increases the capital costs substantially, given that the wet area is the most expensive area of the building. Adding 2 lanes to create a 6 lane pool may result in insufficient demand to recover the costs as quickly as with the optimum mix. However the financial implications are contained below.

Basic Option

The Basic option is the Core Facility Mix designed and constructed in a warehouse/box style.

Option A1

Option A1 is the core facility mix, but with a slightly improved quality.

Option A2

As A1, with the only change being enhanced quality design features, which would sit more appropriately in a parkland setting.

Option B

Option B adds a swimming pool and climbing wall, steam and sauna, enhances the parking and improves the landscaping.

Option C

The primary difference in price between Options B and C is the addition of 2 lanes to the 3rd pool. Given that the wet space is the most expensive area of the building it does have quite an influence on the final cost as demonstrated below.

ANALYSIS OF THE FACILITY MIX OPTIONS

DEMAND FOR WATER SPACE

It is clear when analysing Table 2.2 above that the three configurations that address all identified uses and needs are:

- 25m x 8 lane pool
- 25m x 4 lane pool
- 17.5m x 10m learner pool

The aquatic offer provided by these pools is extensive and can only be achieved through the development of the separate pool tanks. This provides the optimum level and nature of water space to meet current need, and address the existing challenges of current and future demand, plus create the flexibility and real opportunity to drive revenue.

Existing Challenges with Swimming Pool provision in the district

Before looking at each of these options, it is worth highlighting the current challenges relating to water space in the existing Hart Leisure Centre, as these should clearly be addressed in the new facility. Current challenges are:

- Lack of overall water space, particularly for learners, swimming lessons, and lane swimming
- Lack of flexibility over how the water space can be used, given there is no moveable floor, and the depth is variable 0.9m – 1.8m
- High levels of club and school demand, which impact on the ability to provide for casual and lane swimming
- High levels of demand for lane and fitness swimming

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In particular, the high demand for swimming lessons (Hart Leisure Centre currently caters for 1,810 swimming lessons per week, and has a constant waiting list of three/four months which equates to approx 144 places), means that, in effect, income is being lost every day, because there is insufficient water space to meet demand.

In terms of the identified future options for swimming provision, there are also a number of financial and operational factors to consider:

- Capital cost v revenue generating ability
- Capital cost v operating cost
- Flexibility in terms of programming and usage
- Ability to best meet identified demand
- Ability to best address the identified operational challenges, to optimise the fact that there is so much demand for swimming in the district

The Strategic Need for Water Space in Hart

The strategic context for future swimming pool provision comprises a number of factors, which are summarised below:

- There is population growth in the district over the next few years, and new housing is being developed. The growth in population increases demand for swimming by 3.2%, taking account of population growth to 2026.
- The 2013 Amateur Swimming Association (ASA) Facility Planning model report for Hampshire does not identify the need for any additional water space in the district providing that the other suppliers do not revise their availability e.g. private schools and the MOD. HDC has no control over these pools and it is a fact that during times of heightened sensitivity the use of MOD facilities is restricted
- The modelling for the 2013 ASA report, which is the most up to date assessment of swimming pool needs in the area, assumes that HDC will develop an 8 lane x 25m pool plus a larger learner teaching pool than is currently provided, and that other facilities in adjacent local authority areas will remain constant in terms of the level and nature of water space provided. HDC has no control over these facilities.
- There is already an extremely high level of satisfied (i.e. met) swimming demand in Hart district at 96.5%; however this still means that effectively means that 3.5% of demand is not being met. At peak times Hart customers are regularly asked to wait for space to become available
- The 2013 ASA report does not identify a present specific need for additional water space in Hart, but this assumes that existing levels

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of provision, both in the District and elsewhere in the County remain constant; however under all the scenarios modeled there is unsatisfied demand of 11,908 visits per annum in Hart i.e. about 3.5% in peak time by 2026, which equates to 37.96m²/37.69m². This means that even with a new 25m x 8 lane pool, and a larger teaching pool than at present, and all the other swimming pool facility developments across the county of Hampshire, there will still be 230/229 visits per week, which cannot be provided for in Hart.

Analysis of Options for Future Swimming Pool Provision

It therefore needs to be considered whether a shortfall of 37.96 sq m (ie just under 20% of a 4 lane x 25m pool) is enough to justify increasing the amount of water space provided in the future. One could summarise that if only one other supplier dropped out of the market, or reduced its offer, this demand would increase substantially. More than that, if a new and additional 25m x 4 lane pool was included as pool number 3 at the new centre it is highly likely that the novelty value of a brand new facility would attract customers presently using the alternative suppliers. The likelihood of the alternative suppliers being in a position to generate sufficient funds to counter this competition is open to debate.

It is clear that providing additional water space in the form of a third tank, whilst not explicitly needed at this present time, could provide a USP for the district, and an added water space attraction, which has significant potential to generate revenue, and therefore deliver relatively early payback of capital.

In highlighting the potential opportunity that could be created through the provision of an additional swimming pool ie a third tank, it is important to remain realistic about the scale of such provision, the nature of booms and moveable floors across all the pool space, and the usage it would target to drive usage and therefore revenue. In this respect it is critical to highlight that a larger pool eg a second 25m x 10 or 8 lanes, or a 50m pool (equating to 850 sq m of water space), is clearly well above the amount of water space needed in the district, based on the 2013 ASA report.

ANALYSIS OF REVENUE IMPACT

£102,708	£29,475	£4,690	£96,254	£41,101
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All facility mix options generate an income. Although not as high as the current operation at Hart Leisure Centre, this is because of the cost of borrowing for a new leisure centre. However, what needs to be remembered is that these figures do not take into account the impact of any externalisation, under which scenario we would expect there to be a much improved revenue position.

Basic Option (£16,402,978 capital cost; provides Core Facility Mix and no enhancements).

This box style leisure centre will generate an income of £102,708 per annum.

Option A1 (requires £1.10m additional capital from basic option; provides Core Facility Mix and no enhancements)

Option A1, the core facility mix, will generate £29,475 per annum. The design has no impact on the levels of revenue generated.

Option A2 (requires £1.53m additional capital; provides Core Facility Mix and no enhancements))

Option A2, the core facility mix, will generate £4,690 per annum. The design has no impact on the levels of revenue generated.

Option B (requires £4.48m additional capital; provides Core Facility Mix and all enhanced facilities; greatest flexibility of all options)

Option B adds a swimming pool and climbing wall, steam and sauna, enhances the parking and improves the landscaping. The increased range of facilities results in revenue generation of £96,254 per annum. Critically this is only £6k less than for the Basic Option, which only provides the Core Facility Mix. The range of facilities in this option also provides significant flexibility in terms of developing and offering various membership packages around health, fitness and swimming. The critical relationship to consider is that for an additional investment of capital ie £4.48m (compared to the Basic Option), the level of revenue generated is only £6k less than the Basic Option per annum.

Option C (requires £5.12m additional capital; provides Core Facility Mix and all enhanced facilities)

Option C includes an additional 2 lanes in the 3rd pool. This option will generate £41,101 per annum, higher than that for Option B, but with a higher capital cost, and therefore a higher repayment level. Therefore the value of investing the additional £5.12m (compared to the Basic Option), or £656,438 of capital (compared to Option B), of capital is debatable.

KEY ISSUES

Given the above, there are a number of key issues to consider:

- All options provide the required Core Facility Mix
- Option A2 provides the Core Facility Mix and a design compatible with a parkland setting
- Options B and C could be provided at the quality outlined in either Option A1 or A2
- It is clear that to extend the range of facilities provided, there is additional capital cost involved. The critical issue therefore is the relationship between the additional level of capital required, the increased levels of revenue that could be realised as a result of providing a greater facility range, and the timescale for re-paying additional capital borrowed. These factors are very important as they are all inter-related, and effectively underpin the sustainability (financial and operational), of the new facility.
- With the exception of car parking and facility quality/design, all Value Engineering (VE) impacts on the scale and quality of provision. This is particularly so in Options B and C. Applying VE to these options in reality reduces the range of facility provision, and critically the

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operational flexibility by eg removing the main pool moveable floor, taking out the sauna and steam, etc. This reduces the potential for income generation, programming flexibility, and also provision of some membership packages.

- Application of VE therefore needs to be considered very carefully; whilst there is no doubt it can reduce capital costs, the real issue, is at what cost to revenue generation is this achieved? Reducing the capital cost of Option B and C for example, would actually be self-defeating, as what results would not be the original options, with an enhanced facility mix, which was identified precisely because of its ability to generate increased income.
- For Hart District Council (HDC) developing a new leisure centre is a one-off opportunity; the majority of the funding can be sourced through S106 contributions, as a result of the significant residential development in the district. The population growth in itself over the next 10years is important, as a larger community will have more demands for leisure provision. Therefore this new leisure centre must be future-proof. ie the needs of both current and future communities need to be considered. Options B and C are the only ones to do this; Option B provides the most cost-effective option for future proofing in terms of the facility range provided, and the relationship between capital cost, revenue generation and payback timescale.