



Ameo Professional Services Ltd

Dudley Sports & Leisure Options Analysis

Initial Options Analysis-v0.90

Document Control



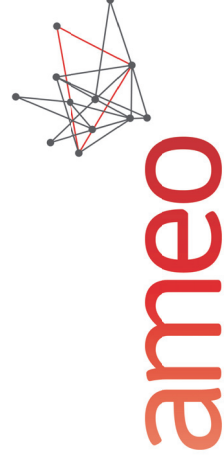
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Date:	15/08/2016
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Revision History

Revision Date	Summary of Changes	Version Number
15/08/2016	First Issue	v1.00

Any queries relating to the information contained within this document should in the first instance be referred to Darren Marshall at Ameo Professional Services E: darren.marshall@ameogroup.com

Introduction



Dudley Metropolitan Borough Council is facing a major financial challenge to find at least £23 million of savings in order to ensure that the Council can remain a going concern up to 2020 and beyond. As such, the Council is undertaking a review of all lines of expenditure, including those services that are not statutorily required. The provision of Leisure Centres, while undoubtedly important for the Council and its Communities, is in fact a non statutory service and is provided at the discretion of the Council.

As a result, Alan Lunt – Strategic Director for Place, has engaged Ameo Professional Services as a suitably qualified and experienced partner to carry out a rigorous and comprehensive option appraisal process, with the key objective being to meet the needs of Dudley's communities for Leisure facilities while reflecting the need to deliver a service on at least a 'cost neutral' basis to the Council.

Purpose

The purpose of this Initial Options Analysis is to document the first phase review of potential operating models identified for a future leisure service provision in Dudley. The intended purpose of this document is to identify the options which are broadly viable and should be validated during the second phase review and those which are non-viable and should be eliminated.

Each option has been defined, financially modelled (where appropriate) and assessed against set criteria to ensure like for like comparisons can be made in order to effectively inform decision making on the future of the service.

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Approach

A number of available options have been identified to the Council as outlined on the following slide. Each option has been investigated and assessed against its ability to:

- Operate at full cost recovery: Income from sales covers the full operational costs of the business and the membership prices are competitive with other alternative providers.
- Options are able to minimise the impact on:
 - School swimming lessons for National Curriculum.
 - Local clubs and associations.
 - Current sports facilities across the borough.

Options Identified

1. Do Nothing (baseline assessment).
2. Retain and refurbish two existing sports centres in the North & South.
3. Develop two new sports centres in the North & South.
4. Develop two new sports centres in the North & South (one in partnership with Sandwell).
5. Develop two new swimming pool facilities in the North & South.
6. Develop one new sports centre in central location.
7. Develop one new swimming pool facility in central location.
8. Outsource current business to a private sector partner.
9. Outsource current business to an existing leisure trust.
10. Service closure.

Options Analysis



Option One

Option One



Description

Option One: Do Nothing (Baseline Assessment)

Baseline model. Retain the current sports and leisure service as-is without any significant changes.

- Continue to operate three leisure centres at Dudley, Stourbridge & Halesowen.
- Retain existing facilities but include income projections from current ongoing projects.
- Incorporate any potentials savings and efficiencies within current organisation.

Option One



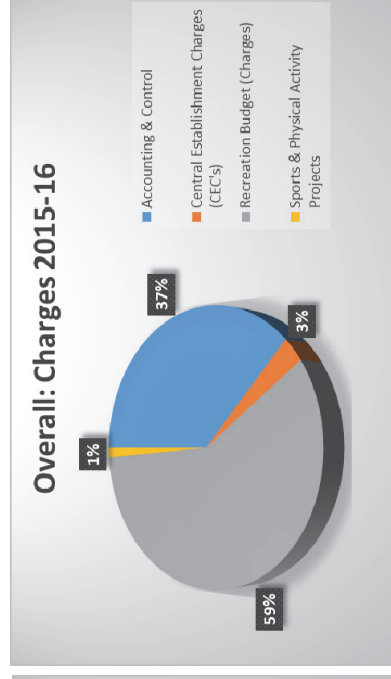
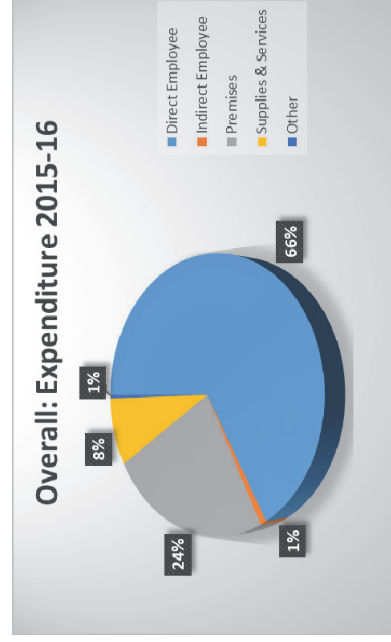
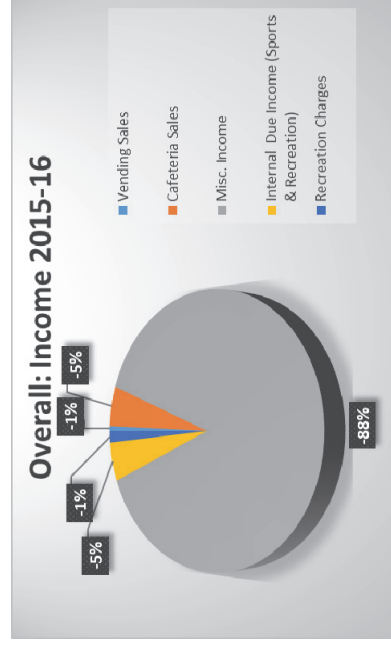
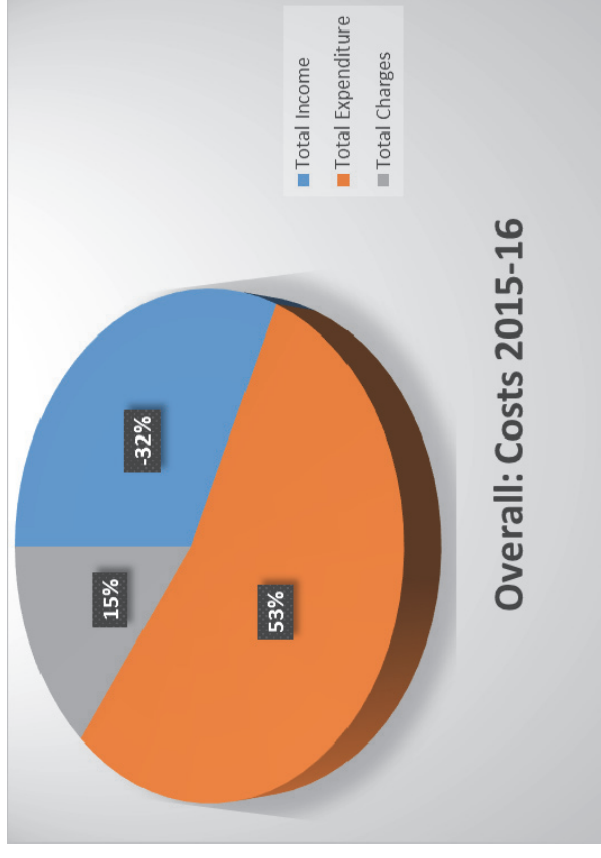
Financial Analysis

Three Year Historical

	2013-14	2014-15	2015-16
Income	-£ 2,583,583	-£ 2,868,991	-£ 2,810,177
Expenditure	£ 4,807,953	£ 4,617,139	£ 4,694,216
Charges	£ 1,178,984	£ 1,191,359	£ 1,285,881
Total	£ 3,403,354	£ 2,939,507	£ 3,169,920

Note: Data excludes non-leisure centre income and expenditure (see Three Year Financial Summary-v1.01)

Average Annual Subsidy £3,170,927



Source: DMB Sports & Leisure Financial Data (see Three Year Financial Summary-v1.01)

Option One

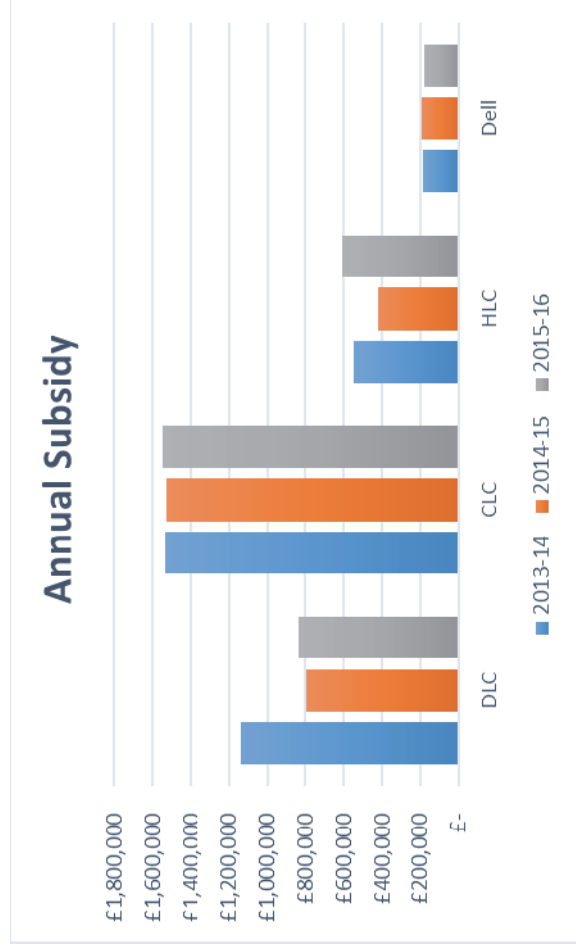


Financial Analysis (Subsidy)

Financial Performance

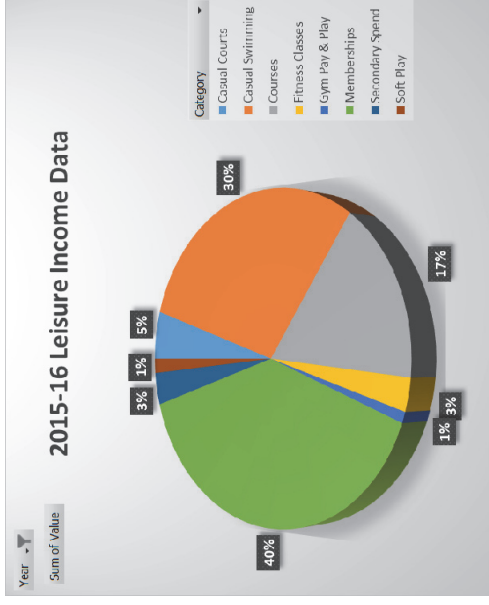
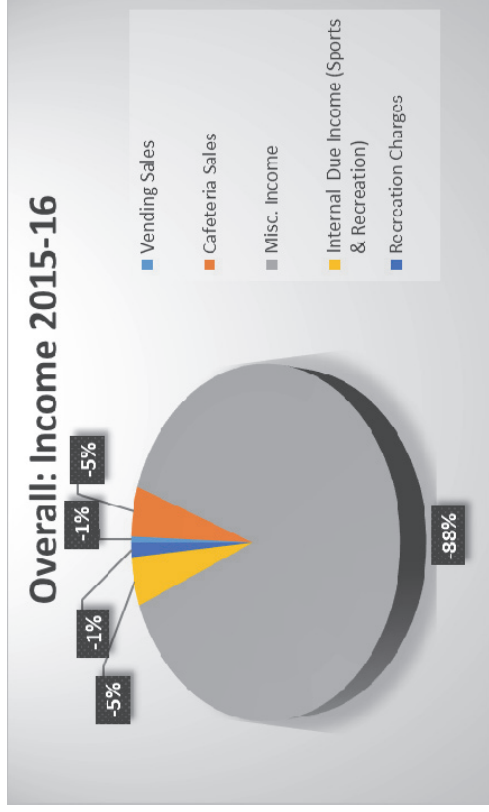
	2013-14	2014-15	2015-16	2016-17
Income	-£ 2,582,050	-£ 2,865,506	-£ 2,803,125	-£ 2,947,000
Expenditure	£ 4,472,017	£ 4,259,289	£ 4,373,170	£ 4,832,800
Charges	£ 1,513,386	£ 1,545,723	£ 1,599,876	£ 1,581,000
Total	£ 3,403,353	£ 2,939,506	£ 3,169,921	£ 3,466,800

- FY16-17 budget skewed by £685k capital charges.
- Therefore average subsidy is circa £3.2M per annum.
- Additional funding is required to ensure annual maintenance is undertaken to protect facilities and to create a sink fund for future plant and equipment replacement.
- Significant increases in income combined with a package of savings is required to eliminate future subsidy contributions.
- **Target subsidy reduction is circa £3.5M.**



Option One

Financial Analysis (Total Income)



Casual Courts	£	110,506
Casual Swimming	£	686,549
Courses	£	380,068
Fitness Classes	£	67,825
Gym Pay & Play	£	23,080
Memberships	£	904,140
Secondary Spend	£	74,348
Soft Play	£	33,908
Grand Total	£	2,280,424

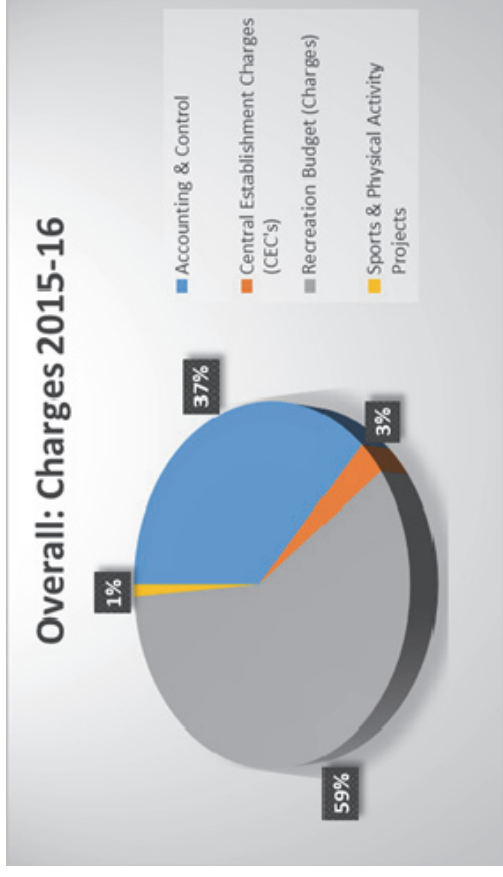
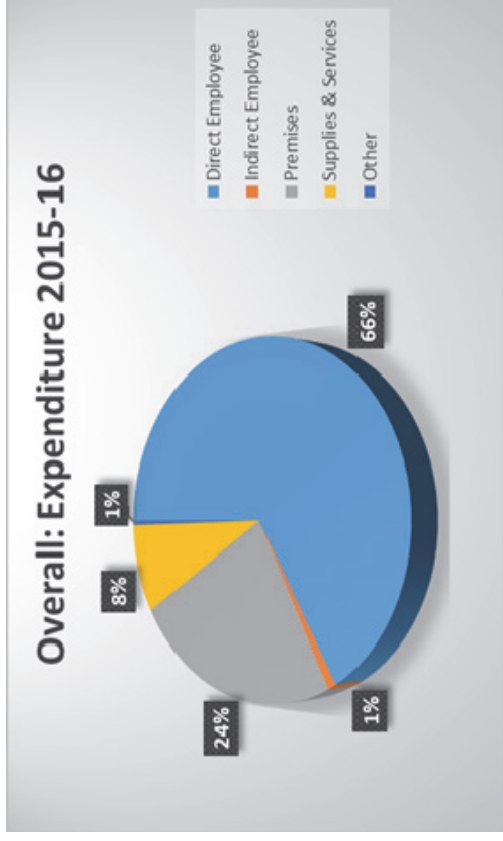
- Membership charges competitively priced.
- Annual increases require cabinet approval.
- Options + scheme offers 50% reduction for eligible members.

- Low levels of income from profitable income streams i.e. fitness classes when compared to Sport England models.

A 20% increase in income would generate an additional £560k per annum (based on FY2015-16 data).

Option One

Financial Analysis (Total Costs)



- Expenditure accounted for £4.7M of costs in FY2015-16.
- Staff & Premises costs represent 91% of overall expenditure.
- Charges accounted for £1.3M of costs in FY2015-16.
- Charges are fixed and apportioned across all services.
- S&L unable to influence savings in Council charges.

A 20% saving in expenditure would contribute a £940k reduction in expenditure costs (based on FY2015-16 actuals).

Option One

Current Opportunities (Income & Expenditure)

Item	Description	Additional Income (£)
1	Eliminate Concessionary Options + Membership Scheme	£80,000
2	Halesowen Remodelling	£20,000
3	Redirect Public Health spend to Leisure Centres	£200,000
4	Increase membership fees and charges by 2% (max cabinet allowance)	£45,600
5	Introduce Pay & Retain Lockers (£1,000/month at Haden Hill)	£36,000
	Total Additional Income	Approx. £381k

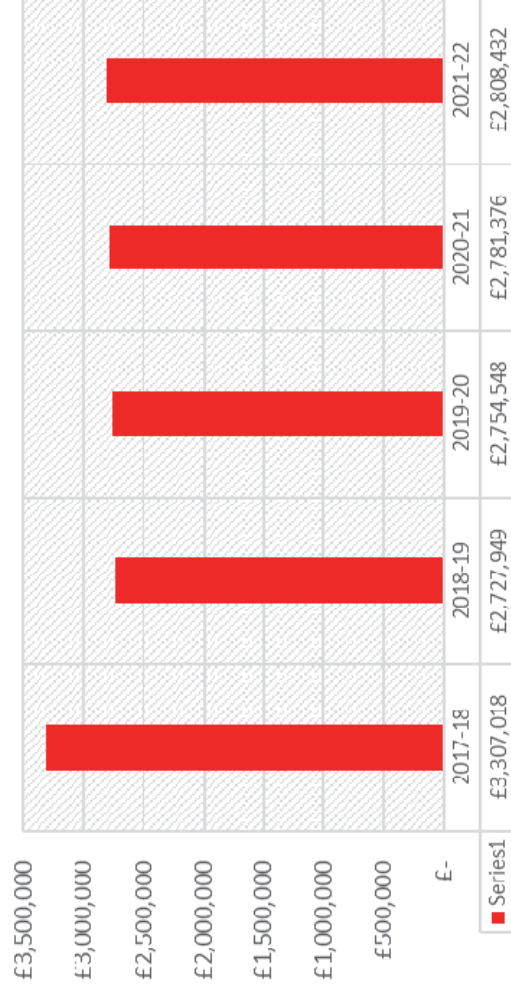
Item	Description	Annual Saving Est. (£)
1	Staff re-structuring proposal (see 160803-S&L Staff Saving Proposal)	£310,385
2	Close loss making café at Crystal LC (see 160803-S&L Staff Saving Proposal)	£68,840
3	Close Leisure Centres on Bank Holidays (see 160803 Public Holiday Opening)	£40,000
4	Close Crystal Leisure Pool during non-peak hours	£10,000
	Total Expenditure Savings	Approx. £429k

Option One

Financial Analysis (Five Year Projection)

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Income	-£ 3,286,793	-£ 3,483,460	-£ 3,553,723	-£ 3,625,422	-£ 3,698,586
Total Expenditure	£ 5,190,289	£ 4,779,817	£ 4,848,048	£ 4,917,370	£ 4,987,802
Total Charges	£ 1,403,521	£ 1,431,592	£ 1,460,224	£ 1,489,428	£ 1,519,217
	£ 3,307,018	£ 2,727,949	£ 2,754,548	£ 2,781,376	£ 2,808,432

5 Yr Subsidy Forecast



Financial Model - Assumptions:

- Savings package implemented during FY2017-18 so full impact in year two.
- 10% increase targeted in secondary spend.
- 2% annual fee increase (cabinet restriction).
- 1% annual salary increase.
- 2% increase in expenditure categories.
- £250k increase in premises costs in year 1 to allow for maintenance/equipment refresh.
- Includes Dell Stadium.

Impact Assessment

Option One maintains the current facilities as-is. Provided the facilities are maintained to a reasonable and safe standard, there shall be:

- No loss of provision to the sports and leisure facilities that currently exist in the borough (as identified in the baseline review document).
- No impact to the KS1/2 to swimming provision used by in-borough and out-of-borough schools.
- No impact to the existing clubs and associations using the existing leisure centres.

Option One

Summary:

- There is no impact of this option to KS1/2 swimming provision, clubs and associations and the sports and leisure facilities in the borough, provided the facilities are maintained to a reasonable and safe standard.
- A 20% change in both annual income and expenditure would combine to reduce the annual subsidy by £1.5M (based on FY2015-16 actuals). This falls significantly short of the £3.5M target required for a zero subsidy position.
- Zero subsidy is therefore unrealistic given that current opportunities only have an impact of circa **£0.81M** per annum.
- An ongoing subsidy of circa **£2.8M** per annum is still required after savings have been implemented.

Option One

Conclusion.

Option One: Do Nothing (Baseline Assessment)

Baseline model. Retain the current sports and leisure service as-is without any significant changes.

- Whilst this option offers zero impact to the current sports and leisure facilities in the borough, Do Nothing **is not** a viable option to the Council given that there are insufficient benefits/savings to offset the current subsidy of £3.5M.
- This option should be eliminated for the second phase review.

Options Analysis



Option Two

Option Two



Description

Option Two: Retain and refurbish two existing sports centres in the North & South.

- Retain & Refurbish Dudley Leisure Centre (North)
- Retain & Refurbish Crystal Leisure Centre or Halesowen (South).
- Dispose of Crystal or Halesowen.

Option Two

Dudley Leisure Centre



- Existing facility has GIFA of approx. **3600m²**
- Estimated refurbishment rates:
 - light refurbishment (minimum remodelling/update internal fabric) @ **£500/m²**.
 - Heavy refurbishment (update infrastructure and some remodelling) @ **£1500/m²**.

Light refurb estimate - **£1.8M**
Heavy refurb estimate - **£5.4M**

Option Two

Crystal Leisure Centre



- Existing facility has GIFA of approx. **6400m²**
- Estimated refurbishment rates:
 - light refurbishment (minimum remodelling/update internal fabric) @ **£500/m²**.
 - Heavy refurbishment (update infrastructure and some remodelling) @ **£1500/m²**.

Light refurb estimate - **£3.2M**
Heavy refurb estimate - **£9.6M**

Option Two

Halesowen Leisure Centre



- Existing facility has GIFA of approx. **2700m²**
- Estimated refurbishment rates:
 - light refurbishment (minimum remodelling/update internal fabric) @ **£500/m²**.
 - Heavy refurbishment (update infrastructure and some remodelling) @ **£1500/m²**.

Light refurb estimate - **£1.35M**
Heavy refurb estimate - **£4.05M**

Option Two

Crystal vs. Halesowen (Current Provision)

Facility	Crystal	Halesowen
Swimming Pool	250m2	400m2
Learning Pool	N/A	135m2
Leisure Pool	480m2	N/A
Sports Hall	8 x Badminton Courts	N/A
Squash Courts	2 No.	2 No.
Multi-function Rooms	2 No. (127 m2)	1 No. (70 m2)
Spin Studio	21 Stations (63 m2)	16 Stations (70 m2)
Dance Studio	1 No. (274 m2)	N/A
Lifestyle Gym	58 Stations	47 Stations
Climbing Room	1 No.	N/A
Soft Play Suite & Crèche	1 No.	N/A

Option Two



Crystal vs. Halesowen (Facilities)

Item	Crystal	Halesowen
Year Built	1990 (26 years)	1963 (53 years)
Est. Capital Receipt (£)	£x	£x
Condition Costs (£)	£50k	£580k
Light Refurb Cost (£)	£3.2M	£1.35M
Heavy Refurb Cost (£)	£9.6M	£4.05M
Average Subsidy (£)	£1.54M	£0.53M
School Use	13h 45m	13h 30m
Subsidy/m2	£241/m2	£198/m2
Income:Subsidy Ratio	1.01	1.21

Option Two

Crystal vs. Halesowen

Proposal: Retain Halesowen & dispose of Crystal

Rationale

- Brief prioritises wet provision over dry provision.
- Crystal leisure pool does not support school lessons.
- Crystal has 250m² of useable water space compared to 535m² at Halesowen).
- Leisure pool is expensive to run given high levels of supervision required.
- Costs to refurbish Halesowen significantly lower due to a smaller GIFA.

Option Two

Objectives

Refurbishment Objectives:

- Resolve asset condition issues (target 15 year building lifespan).
- Improve and maintain internal appearance to attract new and maintain existing users.
- Re-model building to maximise income from retained dry provision (larger studio spaces, dance studios, health and fitness).
- Incorporate innovative solutions to maximise pool usage i.e. flotation blocks to change depth.
- Invest in equipment to maintain pace with competition.
- Incorporate efficient spaces and utilities (minimise circulation/energy efficient equipment).

Operational Objectives:

- Re-prioritise operations towards a more commercially focussed operating model.
- Maximise throughput and use of facilities to subsidise pool and sports halls.
- Target higher levels of secondary spend through improved retail space and vending.
- Invest in staff to support commercial and customer focussed operation.
- Provision of free-parking at Halesowen (arrangement with multi-storey car-park).

Option Two

Financial Model Assumptions

Capital Spend:

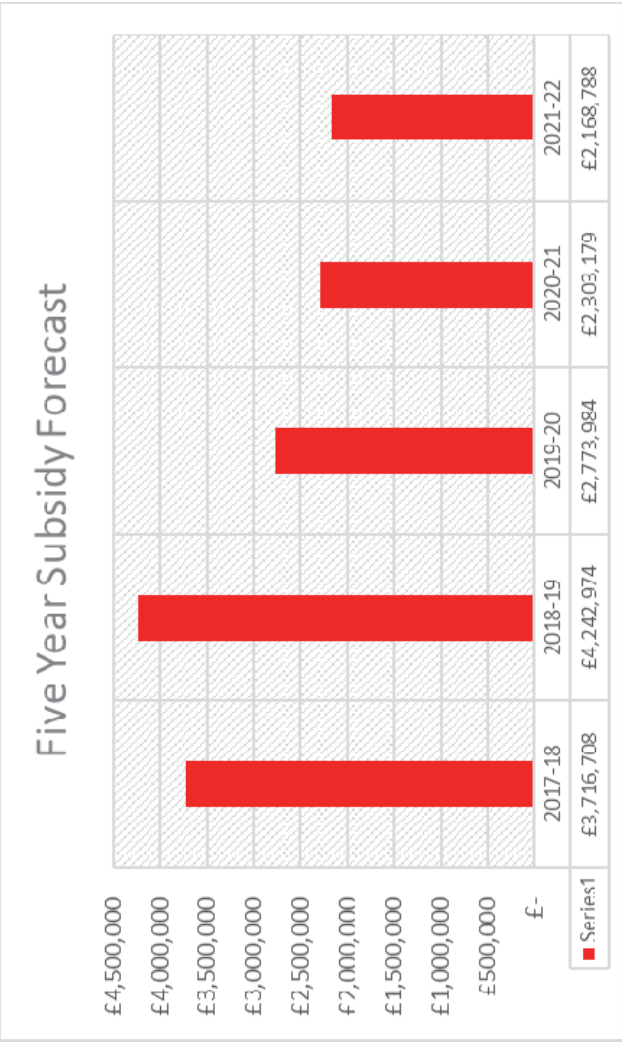
- Assume refurbishment in 2018-19
- Assume £500k capital receipt from Crystal.
- Assume £3.5M refurbishment at Halesowen (£1296/m²)
- Assume £3.5M refurbishment at Dudley (972/m²)
- Total spend £7.0M (£5.5M from prudential borrowing; £0.5M Capital Receipt; £1.0M Sport England funding).

Savings:

- Assume Crystal closure in 2018-19.
- 44.71 FTE saving from closure of Crystal (P&I Manager Retained).
- 2FTE saving from recreational team.

Financial Analysis (Five Year Projection)

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Income	-£ 3,286,793	-£ 2,378,126	-£ 1,953,409	-£ 2,133,600	-£ 2,331,507
Expenditure	£ 5,190,289	£ 4,779,817	£ 2,857,480	£ 2,537,661	£ 2,571,388
Total Charges	£ 1,403,521	£ 1,431,592	£ 1,460,224	£ 1,489,428	£ 1,519,217
PWLB	£ 409,690	£ 409,690	£ 409,690	£ 409,690	£ 409,690
	£ 3,716,708	£ 4,242,974	£ 2,773,984	£ 2,303,179	£ 2,168,788



Financial Model - Assumptions:

- Savings package implemented during FY2017-18 so full impact in year two.
- Crystal retained until year 3 to help retain customer base.
- 10% increase targeted in income levels.
- 2% annual fee increase (cabinet restriction).
- 1% annual salary increase.
- 2% increase in expenditure categories.
- £250k increase in premises costs in year 1 to allow for maintenance/equipment refresh.
- Includes Dell Stadium.

Option Two

Impact Assessment

- Closure of Crystal:
 - Loss of 250m2 of swimming space used by 15 Dudley schools (13h:45m) and local swimming clubs.
 - Loss of 480m2 leisure pool.
 - Loss of sports hall impacts local club use (8 badminton courts = 66% of total provision).
 - Loss of 2 No. squash courts. Re-provision at Stourbridge tennis and squash club.
 - Loss of fitness/studio space. Re-provision at local health and fitness clubs.
- Remodelling of Dudley & Halesowen:
 - Loss of 4 No. squash courts.
 - Increase in studio space.
 - Use flotation blocks to increase learn to swim efficiency of remaining pools.

Option Two

Summary

- £5.5M of borrowing reduces subsidy by 37% in five years.
- Further reductions may be found with detailed analysis of staff and premises.
- Overall, unlikely to eliminate the requirement for a surplus.
- Loss of wet and dry provision across the borough.

Option Two

Conclusions

Option One: Retain and refurbish two existing sports centres in the North & South.

Refurbish Dudley (North) and Halesowen (South East) and dispose of Crystal Leisure Centre (South West).

- Option Two is not a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy. There is also a loss of local sports and leisure provision which cannot be re-provisioned by the remaining facilities.
- This option should be eliminated for the second phase review.

Options Analysis



Option Three

Option Three

Description

Option Three: Develop two new sports centres in the North & South.

- Replace Dudley Leisure Centre (North)
- Replace Crystal Leisure Centre (South).
- Dispose of Halesowen Leisure Centre.

Notes:

Crystal site selection based on available free parking, large site in town centre location.

Alternative sites for southern LC could be considered on civic amenity site near to Premier Inn or land adjacent to the new Lye bypass.

Alternative site for northern LC could be considered on Flood Street car parking sites at Dudley.

Option Three

Current Leisure Centre Provision

Item	Location	Type	Size (m2)
1	Dudley Leisure Centre	25m x 4/5 Lane Pool	250m2
2	Dudley Leisure Centre	Training Pool	50m2
3	Crystal Leisure Centre	Leisure Pool	480m2
4	Crystal Leisure Centre	25m x 4 Lane Pool	250m2
5	Halesowen Leisure Centre	35m x 8 Lane Pool	400m2
6	Halesowen Leisure Centre	Training Pool	135m2
	Sub-Total		1,565m2

Total of 1565m2 of pool space currently provided by above. (Crystal Leisure not suitable for lessons /club use, so assume 1085m2 of provision).

Options: 25m x 6 lane pool = 318m2;

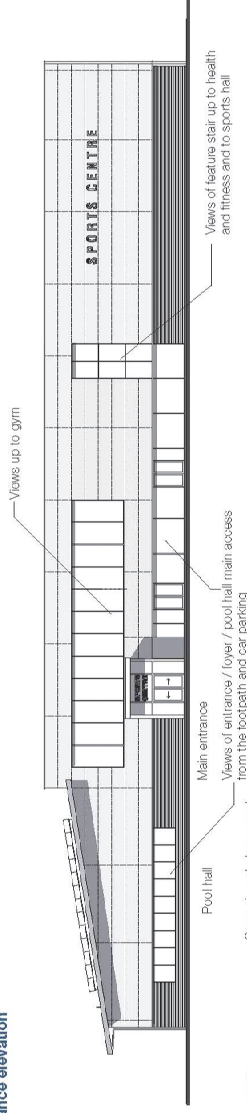
25m x 8 lane pool = 424m2;

Proposal: 2No. 6 lane plus learner = 636m2 (-449m2).

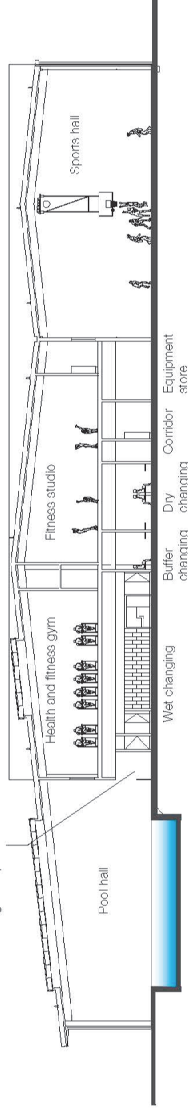
Option Three

Leisure Centre Proposal (Dudley)

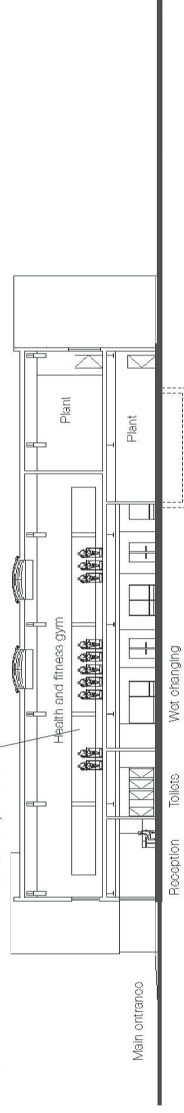
Option C Sections and elevation
Entrance elevation



Long section



Cross section



Estimated Construction Cost*£8.5M

- Exclusions apply (see Sport England affordable sports centre main document). 2014 cost data.
- Assume retention of existing sports hall saves £1.0M on constructions costs.
- Assume £500k demolition and site preparation costs.
- Sports dome increases Sport England income by £40k per annum.

Estimated Total Income	£1.74M
Total Operating Expenditure	£1.41M
Net Operating Surplus (loss)	£330k

Source: Sport England Affordable Sports Centre 2014 Cost Data.



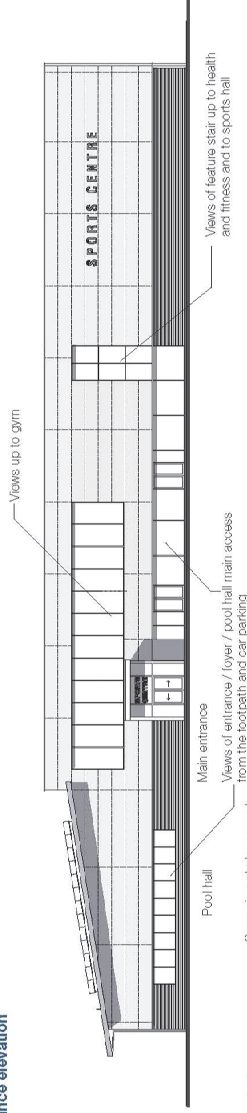
AFFORDABLE SPORTS CENTRE

Option C: 6-lane Swimming Pool, plus
Learner Pool, medium health and
fitness. Refurb existing sports hall and
dome. (418m2 pool space)

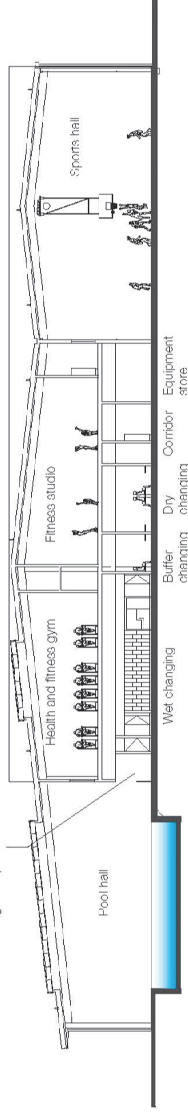
Option Three

Leisure Centre Proposal (Stourbridge)

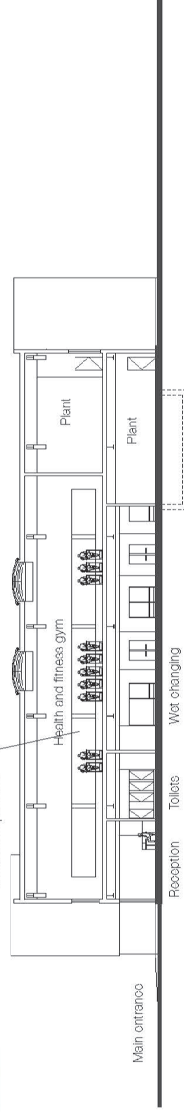
Option C Sections and elevation
Entrance elevation



Long section



Cross section



Estimated Construction Cost*£10.0M

- Exclusions apply (see Sport England affordable sports centre main document). 2014 cost data.
- Assume £1.0M demolition and site preparations costs due to constrained site.



AFFORDABLE SPORTS CENTRE

Option C: 6-lane Swimming Pool, plus
Learner Pool and 4-court sports hall,
medium health and fitness.

(418m2 pool space)



Estimated Total Income	£1.70M
Total Operating Expenditure	£1.41M
Net Operating Surplus (loss)	£295k

Source: Sport England Affordable Sports Centre 2014 Cost Data.

Option Three

Financial Assumptions

Capital Spend:

- Cabinet decision made in April 2017 and 24 month programme to deliver new facilities.
- £500k capital receipt achieved from Halesowen.
- £18.5M build cost to include site demolition and preparation costs for both sites.
- Funding: £16.0M of prudential borrowing; £2.0M Sport England grant; £0.5M capital receipt).
- Prudential borrowing over 15 year term at 1.5% interest rate.

Operating Costs:

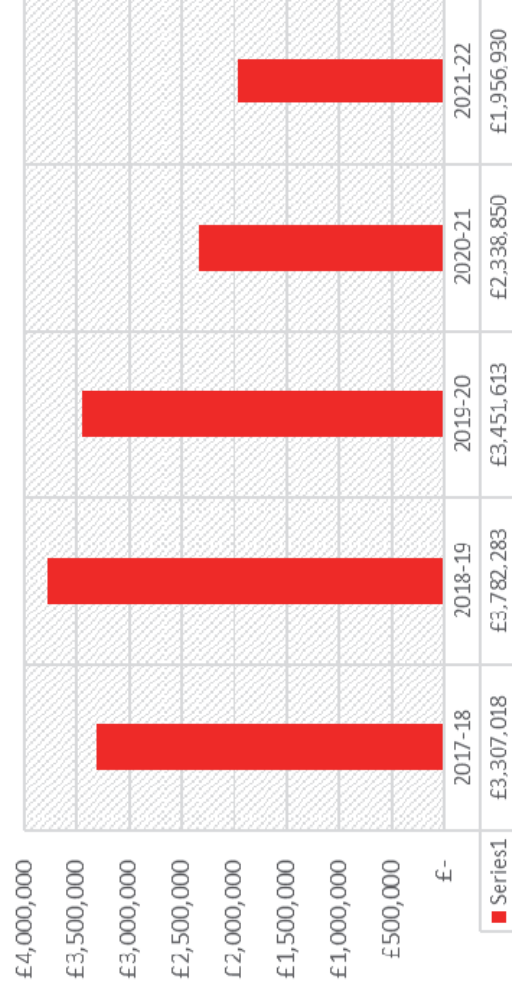
- Operating costs reflect Sport England operating model.
- Allowances to be added for below the line costs.

Option Three

Financial Analysis (Five Year Projection)

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Income	-£ 3,286,793	-£ 1,295,846	-£ 2,009,889	-£ 3,134,437	-£ 3,563,165
Total Expenditure	£ 5,190,289	£ 2,455,593	£ 2,810,335	£ 2,792,915	£ 2,809,934
Total Charges	£ 1,403,521	£ 1,431,592	£ 1,460,224	£ 1,489,428	£ 1,519,217
PWLB	£ -	£ 1,190,944	£ 1,190,944	£ 1,190,944	£ 1,190,944
	£ 3,307,018	£ 3,782,283	£ 3,451,613	£ 2,338,850	£ 1,956,930

Five Year Subsidy Forecast



Financial Model - Assumptions:

- Two year design and build process.
- Halesowen retained until both facilities rebuilt.
- £200k increase in premises costs in year 3 to allow for maintenance/equipment refresh.
- 75% Sport England income data used in first year. 100% in second.
- Includes Dell Stadium.

Option Three

Impact Assessment

Closure of Old Crystal (Year 2)

- Short term loss of 250m2 of water (plus 480m2 leisure pool) during re-build.
- 418m2 of water re-provided in new facility.
- Loss of sports hall impacts local club use (8 badminton courts = 66% of total provision).
- 4 court facility re-provided.
- Loss of 2 No. squash courts. Re-provision at Stourbridge tennis and squash club.
- Loss of fitness/studio space. Re-provision at local health and fitness clubs/Halesowen.
- New fitness/studio space within new facility.

Closure of Old Dudley (Year 3)

- Short term loss of 300m2 of water during re-build.
- 418m2 of water re-provided in new facility.
- Loss of sports hall/Dome impacts local club use (4 badminton courts).
- 4 court facility and dome refurbished and retained.
- Loss of 2 No. squash courts. Re-provision at Stourbridge tennis and squash club.
- Loss of fitness/studio space. Re-provision at local health and fitness clubs/Halesowen.
- New fitness/studio space within new facility.

Option Three

Impact Assessment

Closure of Halesowen (Year 4)

- Permanent loss of 535m² of water (some re-provided by new facilities and Haden Hill).
- Permanent loss of 2 squash courts (net loss of 6 in total across three sites).
- Loss of studio/fitness facilities. (net loss dependent on size of new facilities but well provisioned in the borough).
- Likely that some clubs (swimming in particular) will not be able to find alternative facilities.
- Majority of schools may be re-provisioned if moveable floors are adopted in pools.

Option Three



Summary

- £16M of borrowing reduces subsidy by 44% in five years.
- Further reductions may be found with detailed analysis of staff and premises.
- Overall, unlikely to eliminate the requirement for a surplus.
- Some loss of wet and dry provision across the borough.

Option Three



Conclusions

Option Three: Build two new sports centres in the North & South.

Replace Dudley (North) and Crystal (South West) and dispose of Halesowen (South East).

- Option Three in the current format **is not** a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy.
- There is a loss of local sports and leisure provision which varies depending on build options adopted.
- Recommend that this option is considered in more detail during the second phase review to consider the financial impact of operating through an established Leisure Trust.

Options Analysis



Option Four

Option Four

Description

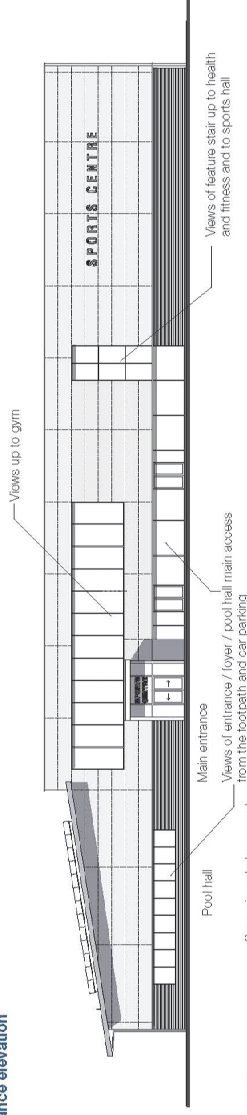
Option Four: Develop two new sports centres in the North & South (one in partnership with Sandwell).

- Variation of option three.
- Dispose of Crystal & Halesowen sites.
- Haden Hill replaces Crystal in option three.

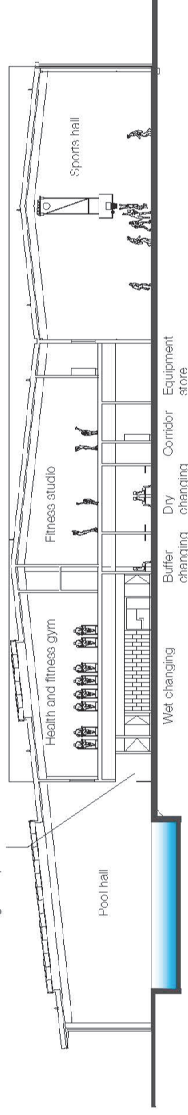
Option Four

Leisure Centre Proposal (Dudley)

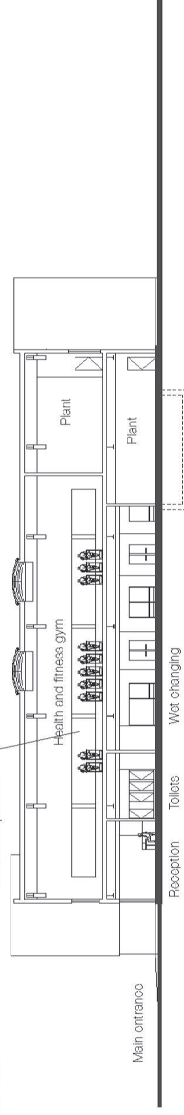
Option C Sections and elevation
Entrance elevation



Long section



Cross section



Estimated Construction Cost*£8.5M

- Exclusions apply (see Sport England affordable sports centre main document). 2014 cost data.
- Assume retention of existing sports hall saves £1.0M on constructions costs.
- Assume £500k demolition and site preparation costs.
- Sports dome increases Sport England income by £40k per annum.

Estimated Total Income	£1.74M
Total Operating Expenditure	£1.41M
Net Operating Surplus (loss)	£330k

Source: Sport England Affordable Sports Centre 2014 Cost Data.



AFFORDABLE SPORTS CENTRE

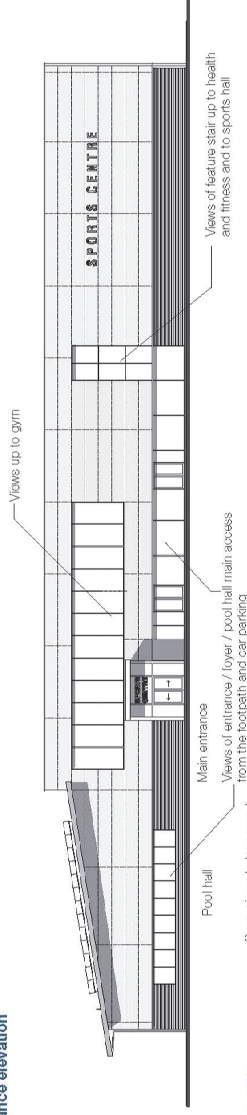
Option C: 6-lane Swimming Pool, plus
Learner Pool, medium health and
fitness. Refurb existing sports hall and
dome. (418m2 pool space)



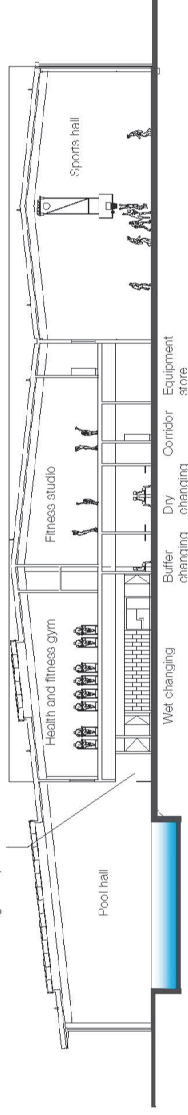
Option Four

Leisure Centre Proposal (Haden Hill)

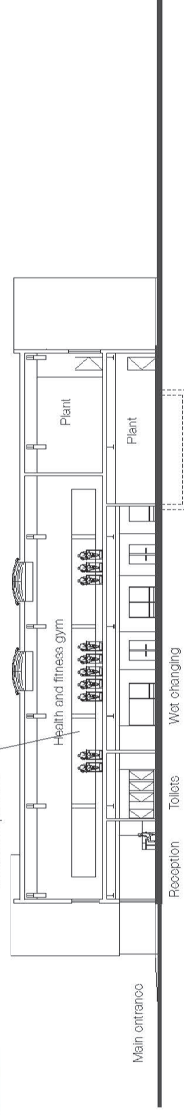
Option C Sections and elevation
Entrance elevation



Long section



Cross section



Estimated Construction Cost*£7.5M

* Exclusions apply (see Sport England affordable sports centre main document). 2014 cost data.

 **AFFORDABLE SPORTS CENTRE**

Option C: 6-lane Swimming Pool, plus Learner Pool and, medium health and fitness. (No Sports Hall; Larger studio)

(418sqm pool space)



Estimated Total Income £1.6M
Total Operating Expenditure £1.3M
Net Operating Surplus (loss) £300k

Source: Sport England Affordable Sports Centre 2014 Cost Data.

Option Four

Financial Assumptions

Capital Spend:

- Cabinet decision April 2017 and 24 month programme to deliver new facility at Dudley.
- £8.5M build cost. (£1.0M Sport England Funding; £7.5M Prudential Borrowing).
- Longer procurement time for Haden Hill given joint venture with Sandwell Metropolitan Council & Sandwell leisure Trust.
- Cabinet decision April 2018 and 24 month programme to deliver new facility at Haden Hill.
- £7.5M build cost. (£1.0M Sport England Funding; £1.0M Capital Receipt (in recognition of land contribution); £2.75M Prudential Borrowing (50% of total required)).
- £1.0M capital receipt achieved from Halesowen & Crystal.
- Prudential borrowing over 15 year term at 1.5% interest rate.

Operating Costs:

- Operating costs reflect Sport England operating models.

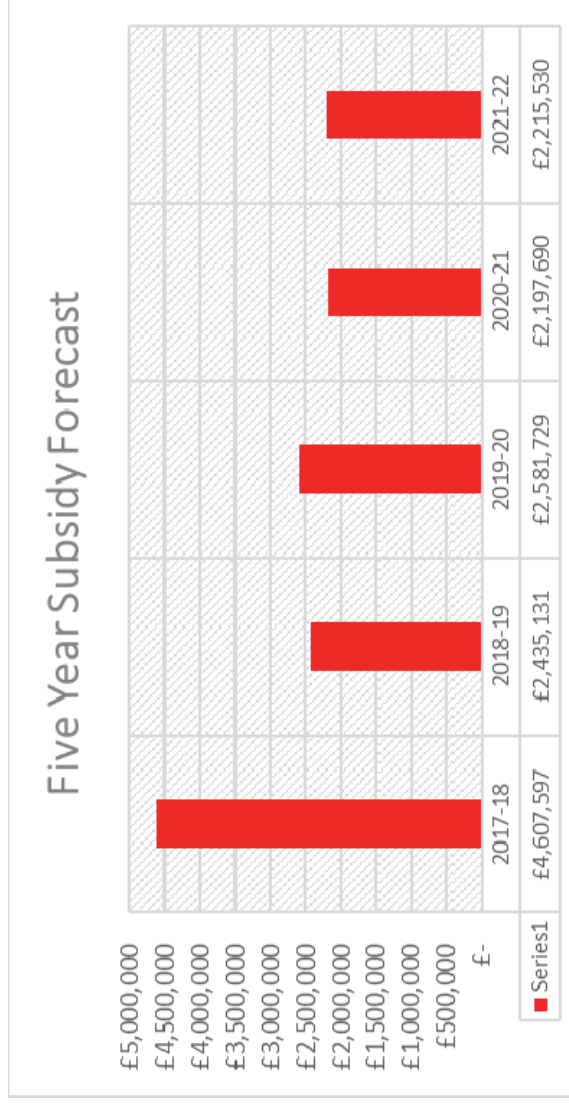
Option Four

Financial Analysis (Five Year Projection)

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Income	-£ 1,734,957	-£ 57,336	-£ 1,347,346	-£ 1,783,961	-£ 1,819,640
Total Expenditure	£ 4,939,033	£ 502,620	£ 1,705,903	£ 1,729,274	£ 1,753,005
Total Charges	£ 1,403,521	£ 1,431,592	£ 1,460,224	£ 1,489,428	£ 1,519,217
PWLB	£ -	£ 558,255	£ 762,948	£ 762,948	£ 762,948
	£ 4,607,597	£ 2,435,131	£ 2,581,729	£ 2,197,690	£ 2,215,530

Financial Model - Assumptions:

- Two year design and build process.
- £100k increase in premises costs in year 3 to allow for maintenance/equipment refresh.
- 75% Sport England income data used in first year. 100% in second.
- Includes Dell Stadium.



Option Four

Impact Assessment

Item	Location	Type	Size (m2)
1	Dudley Leisure Centre	25m x 4/5 Lane Pool	250m2
2	Dudley Leisure Centre	Training Pool	50m2
3	Crystal Leisure Centre	Leisure Pool	480m2
4	Crystal Leisure Centre	25m x 4 Lane Pool	250m2
5	Halesowen Leisure Centre	35m x 8 Lane Pool	400m2
6	Halesowen Leisure Centre	Training Pool	135m2
	Sub-Total		1,565m2

- A total of 1265m2 of pool space lost under this option. A 25m x 6 lane pool at Dudley offers 318m2 total.
- Haden Hill replacement approx. like for like so no increased benefit to Dudley residents.
- Impact to 16 schools using Crystal for KS1/2 school swimming lessons (13h45m).
- Impact to 21 schools using Halesowen for KS1/2 school swimming lessons (13h30m).
- Biggest dry leisure impact is loss of 8 court sports hall and 4 squash courts.
- Sufficient health and fitness provision locally to absorb loss of fitness suites and studios.
- Impact to sports clubs who use wet facilities.

Option Four

Summary

- £10.25M of borrowing reduces subsidy by 36% in five years.
- Assumed that Haden Hill is cost neutral and no subsidy contribution required.
- Further cost reductions may be found with further analysis of staff and premises costs at Dudley.
- Unable to eliminate the requirement for a surplus as cost of prudential borrowing and Dell stadium outweighs operating profit.
- Loss of wet and dry provision across the borough.

Option Four

Conclusions

Option Four: Build two new sports centres in the North & South (in partnership with Sandwell).

Replace Dudley (North) and dispose of Crystal (South West) and Halesowen (South East). Partner with Sandwell to build a new leisure centre at the Haden Hill site.

- Option Four in the current format **is not** a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy.
- There is net a loss of local sports and leisure provision particularly the loss of wet provision which cannot be replaced.
- This option should be eliminated for the second phase review.

Options Analysis



Option Five

Option Five

Description

Option Five: Develop two new swimming pool facilities in the North & South.

- Variation on option three with pool only design.
- Replace Dudley Leisure Centre (North)
- Replace Crystal Leisure Centre (South).
- Dispose of Halesowen.

Option Five

Financial Analysis (Capital Costs)

- Optimum Sport England affordable community swimming pool model (6 lane plus secondary pool) returns £25k per annum.
- The high costs associated with running swimming pools precludes operating at a surplus.
- Evidence shows that swimming pools require profitable facilities to make them pay i.e. health & fitness suites/studio's etc.
- Maximum £50k operational surplus if run to Sport England models.

Option Five

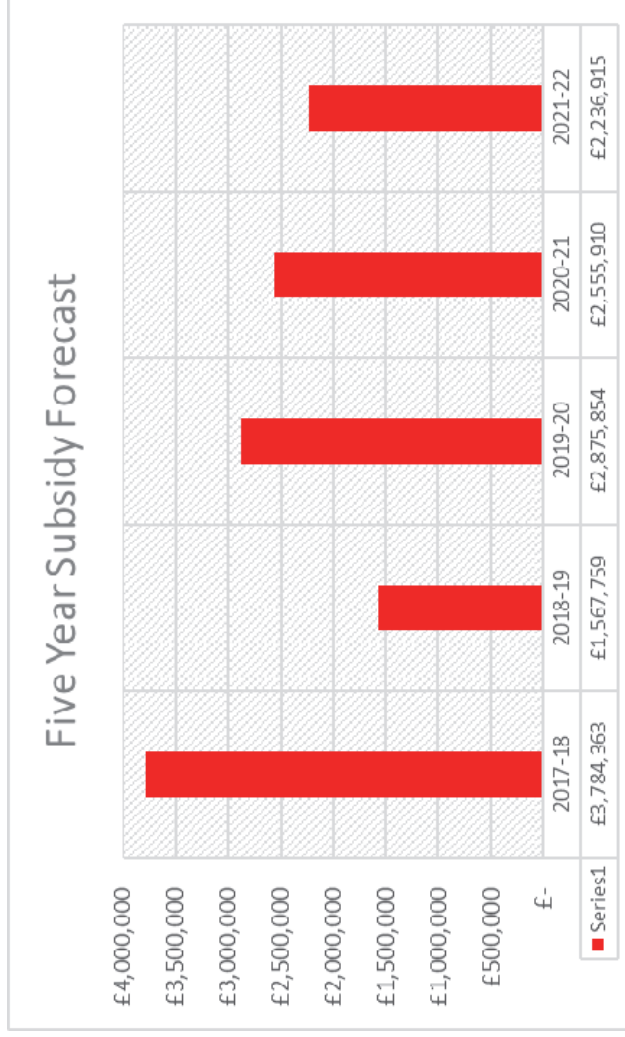
Financial Analysis (Capital Costs)

- Variant of option three. Replace sports centres for pool only complex.
- Replace Dudley & Crystal with 6 lane pool options.
- Capital costs of £4.0M per pool (allow for movable floor).
- £0.5M capital receipt from Halesowen.
- 1.0M funding from Sport England.
- £6.5M Prudential Borrowing. (Repayment £484k per annum)
- Charges remain at approx. £1.65M per annum (as option 3)
- Dell subsidy remains at approx. £157k

Option Five

Financial Analysis (Five Year Projection)

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Income	-£ 1,665,654	-£ 45,406	-£ 791,314	-£ 1,164,741	-£ 1,538,186
Total Expenditure	£ 4,046,496	£ 181,574	£ 1,723,124	£ 1,747,401	£ 1,772,063
Total Charges	£ 1,403,521	£ 1,431,592	£ 1,460,224	£ 1,489,428	£ 1,519,217
PWLB	£ -	£ -	£ 483,821	£ 483,821	£ 483,821
	£ 3,784,363	£ 1,567,759	£ 2,875,854	£ 2,555,910	£ 2,236,915



Financial Model - Assumptions:

- Two year design and build process.
- £100k increase in premises costs in year 3 to allow for maintenance/equipment refresh.
- Three year maturity model used for Sport England income data (50% yr1; 75% yr2; 100% yr3).
- Includes Dell Stadium.

Option Five



Impact Assessment

- Impact as option 3 for swimming. Loss of all dry provision from Crystal & Halesowen as option 4.

Option Five

Summary

- £6.5M of borrowing reduces subsidy by 35% in five years.
- Further reductions may be found with detailed analysis of staff and premises.
- Overall, unable to eliminate the requirement for a surplus as central charges, cost of borrowing and Dell stadium outweighs any operational profit.
- Loss of wet and dry provision across the borough.

Option Five

Conclusions

Option Five: Build two new swimming pools in the North & South.

Replace Dudley (North) and Crystal (South West) and dispose of Halesowen (South East).

- Option five is not a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy. There is a loss of all local dry sports and leisure provision.
- This option should be eliminated for the second phase review.

Options Analysis



Option Six

Option Six

Description

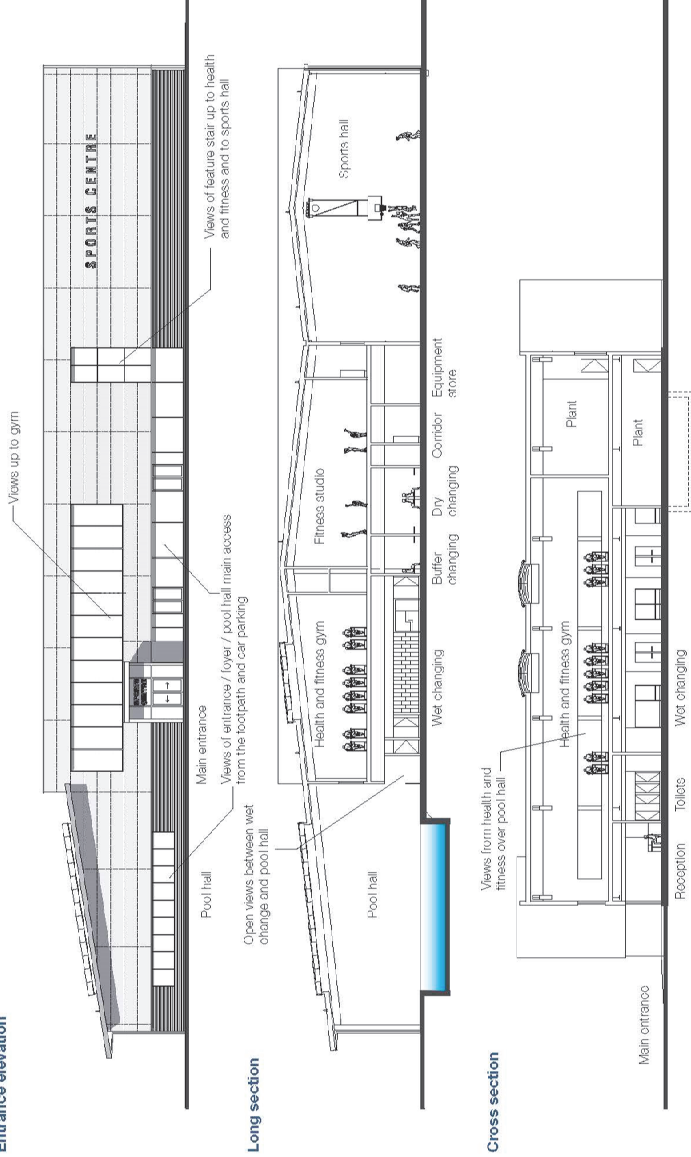
Option Six: Develop one new sports centre in central location.

- Dispose of Dudley, Crystal & Halesowen Leisure Centres.
- Build new sports centre on land at Dell Stadium.

Option Six

Dell Leisure Centre

Option C Sections and elevation
Entrance elevation



Estimated Construction Cost*£10.5M

- Exclusions apply (see Sport England affordable sports centre main document). 2014 cost data.
- Assume £500k site preparation/infrastructure costs.
- Assume £500k additional works.

AFFORDABLE SPORTS CENTRE

Option D: 8-lane 25m Swimming Pool, plus Learner Pool, 5 court sports hall and medium health and fitness.



Estimated Total Income	£1.89M
Total Operating Expenditure	£1.5M
Net Operating Surplus (loss)	£378k

Source: Sport England Affordable Sports Centre 2014 Cost Data.

Option Six

Assumptions

Capital Spend:

- Cabinet decision April 2017 and 24 month programme to deliver new facility at Dell.
- £2.0M capital receipt achieved from Dudley, Halesowen & Crystal.
- £10.5M build cost. (£2.0M Sport England Funding; £2.0M Capital Receipt; £6.5M Prudential Borrowing).
- Prudential borrowing over 15 year term at 1.5% interest rate.

Operating Costs:

- Operating costs reflect Sport England operating models.

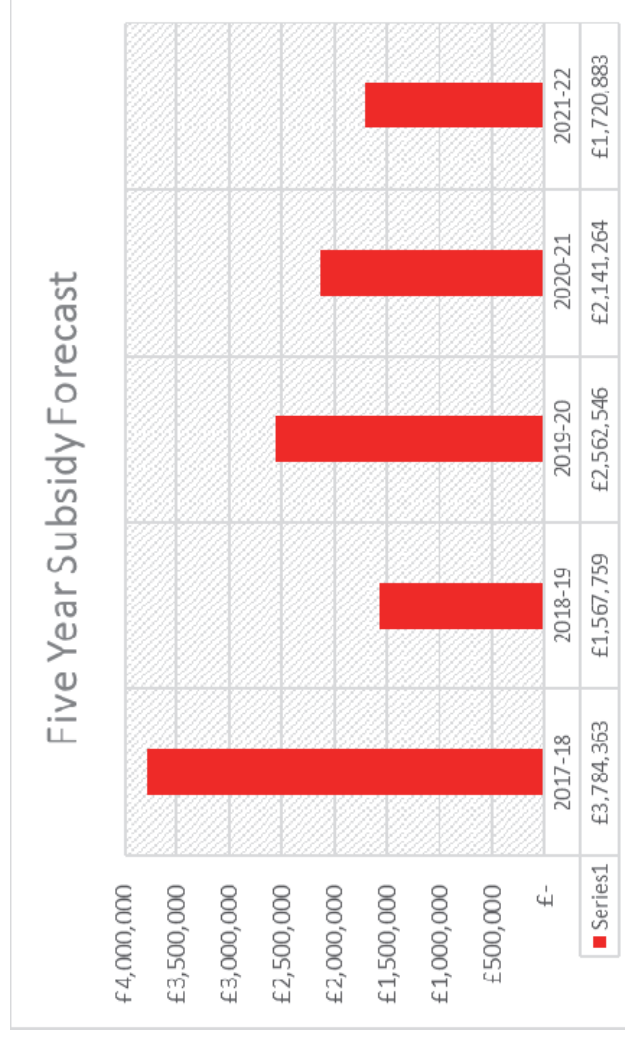
Option Six

Financial Analysis (Five Year Projection)

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Income	-£ 1,665,654	-£ 45,406	-£ 989,240	-£ 1,461,630	-£ 1,934,038
Total Expenditure	£ 4,046,496	£ 181,574	£ 1,607,742	£ 1,629,645	£ 1,651,883
Total Charges	£ 1,403,521	£ 1,431,592	£ 1,460,224	£ 1,489,428	£ 1,519,217
PWLB	£ -	£ -	£ 483,821	£ 483,821	£ 483,821
	£ 3,784,363	£ 1,567,759	£ 2,562,546	£ 2,141,264	£ 1,720,883

Financial Model - Assumptions:

- Two year design and build process.
- £100k increase in premises costs in year 3 to allow for maintenance/equipment refresh.
- Three year maturity model used for Sport England income data (50% yr1; 75% yr2; 100% yr3).
- Dell Stadium can be run by leisure centre staffing.



Option Six

Impact Assessment

- Single leisure centre provides 424m² of water (Loss of over 50% usable).
- Assume at least 50% of KS1/2 school swimming lessons and clubs displaced.
- Loss of 6 No. squash courts (some local provision at Stourbridge).
- Loss of 7 badminton courts (if 5 court sports hall constructed).
- Loss of 50% of health and fitness provision (absorbed by local fitness).

Option Six

Summary

- £6.5M of borrowing reduces subsidy by 50% in five years.
- Overall, unable to eliminate the requirement for a surplus if retained in house.
- Loss of wet and dry provision across the borough.

Option Six

Conclusions

Option Six: Develop one new sports centre in central location.

Dispose of Dudley (North) and Crystal (South West) and Halesowen (South East) and build one new leisure centre at Dell Stadium site.

- Option six is not a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy. There is net a loss of all local dry sports and leisure provision.
- Recommend that this option is considered in more detail during the second phase review to consider the financial impact of operating through an established Leisure Trust.

Options Analysis



Option Seven

Option Seven



Description

Option Seven: Develop one new swimming pool in central location.

- Dispose of Dudley, Crystal & Halesowen Leisure Centres.
- Build new swimming pool on land at Dell Stadium.

Option Seven

Summary

- Analysis of other options shows this option will not reduce the subsidy.
- Construct 25m 8 lane pool option which returns £13,765 surplus per annum if run to Sport England model.
- Cost of construction = £6.0M (£1.0M Sport England funding; £2.0M Capital Receipt; £3.0M prudential borrowing).
- £ 224k annual repayment plus £1.45M annual charges requires subsidy funding.
- Loss of 50% wet and 100% dry provision across the borough.

Option Seven

Conclusions

Option Seven: Develop one new sports centre in central location.

Dispose of Dudley (North) and Crystal (South West) and Halesowen (South East) and build one new leisure centre at Dell Stadium site.

- Option seven **is not** a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy. There is net a loss of all local wet and dry sports and leisure provision.
- This option should be eliminated for the second phase review.

Options Analysis



Option Eight

Option Eight

Description

Option Eight: Outsource current business to a private sector partner.

- Contract sports and leisure services to a private sector operator.
- Operator manages sports and leisure services on behalf of the Authority.
- Typical charge of 8-10% expenditure costs as overhead and profit margin on all activities.
- Operator can get marginal gains on VAT but not exemptions on NNDR as not charitable.
- Larger operators have economies of scale which can reduce expenditure.
- Experience of running leisure centres on a commercial basis.

Option Eight

Investigation

- Discussions with GLL & Sandwell Leisure Trust indicate that significant investment needed in old stock in order to make them commercially viable (same for private operator).
- Risk with facilities generally remains with the Local Authority.
- Likely that investment would need to reflect levels identified in option two or three (refurbishment and/or new build).
- Unlikely that three aging properties can be run without a significant subsidy without investment.

Option Eight

Investment

- Refurbishment required at all three sites (rather than new build).
- Assume £3.0M spend at each site to remodel space.
- Total investment £9.0M (£1.0M Sport England Funding; £8.0M prudential borrowing).
- Annual repayment £ 596k.
- No allowance for social initiatives e.g. Options +

Option Eight

Impact Assessment

- Social activities e.g. options plus membership scheme would need to be subsidised if retained.
- Loss of sports provision dependent on remodelling of each site.
- Interruption to school and club users during works.

Option Eight

Conclusions

Option Eight: Outsource current business to a private sector partner.

Retain current business and contract to a private sector leisure operator.

- Option eight **is not** a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy. There may be some loss of dry sports and leisure provision.
- This option should be eliminated for the second phase review.

Options Analysis



Option Nine

Option Nine

Description

Option Nine: Outsource current business to a leisure trust.

- Contract sports and leisure services to an existing Leisure Trust.
- Trust manages sports and leisure services on behalf of the Authority.
- Not for profit operation.
- Trust can get marginal gains on VAT and 80% charitable rate relief on NNDR (up to 100% discretionary relief).
- Larger operators have economies of scale which can reduce expenditure.
- Experience of running leisure centres on a commercial basis.

Option Nine

Investigation

- Discussions with GLL & Sandwell Leisure Trust indicate that significant investment needed in old stock in order to make them commercially viable (same for private operator).
- Unlikely that three aging properties can be run without a significant subsidy without investment.
- Local Authority will:
 - Retain responsibility for facilities risk i.e. major plant failure.
 - Need to subsidise social initiatives i.e. Option + membership.
 - Need to borrow to invest in facilities.

Option Nine

Conclusions

Option Nine: Outsource current business to an existing Leisure Trust.

Retain current business and contract to a leisure trust operator.

- Option nine **is not** a viable option to the Council given that there are insufficient income increases/expenditure savings arising from the investment to offset the current subsidy. There may be some loss of dry sports and leisure provision.
- This option should be eliminated for the second phase review.

Options Analysis



Option Ten

Option Ten

Description

Option Ten: Service Closure.

- Close the service and dispose of all assets.

Option Ten

Assessment

- Awaiting redundancy costs for all affected staff from HR.
- Closure of building and disposal raises £2.0M capital receipt.
- Sale of sports and leisure assets.
- Target cost neutral i.e. receipt offsets costs incurred.
- Assume 12 month process to allow for public and staff consultation and staff notice period.

Option Ten

Impact Assessment

- Loss of all wet and dry sports and leisure facilities in the borough.
- Pursue community asset transfer for Dell Stadium.
- X schools impacted (xhxxm). Alternative facilities may not be available either in or out of borough.
- All clubs and associations impacted. Smaller clubs likely to use other local facilities but swimming clubs and users significantly impacted.
- Zero subsidy after year 1 (although charges will be distributed across other services).

Option Ten



Conclusions

Option Ten: Closure

Close current business and dispose of all assets.

- Option ten is a viable option to the Council given that it is the only option that delivers zero subsidy in the shortest timescale. However this option results in total loss all sports and leisure provision and has the highest community impact.
- Recommend that this option should be considered in greater detail for the second phase review.