

SEVENOAKS LEISURE CENTRE PROPOSED FITNESS GYMNASIUM REFURBISHMENT

INTRODUCTION

The leisure centre in Sevenoaks was developed by providing an extension to the existing Sevenoaks Swimming Centre in May 2000. Part of the extension included a health and fitness suite (fitness gymnasium, health suite and dance studio) which was developed from the old swimming centre reception area and changing rooms. These facilities were opened in February 2001.

In 2008, in order to meet customer demand, the health suite was removed, and replaced by changing rooms enabling the fitness gymnasium on the upper floor to be expanded to accommodate 60 stations an increase of 22 stations. The increase in the fitness gymnasium has resulted in membership numbers increasing 57% on the 2008 figure to circa 2200. The development was funded by the Council providing a loan of £250k to Sencio. This loan will be fully paid by 2018.

The leisure centre has operated successfully providing a range of sports, leisure, and health and fitness activities for the local community. Currently, approximately 70 fitness classes a week are run at the centre, which together with the fitness gymnasium generated 126,953 visits in 2015.

Nationally the health and fitness market has risen significantly over the last 10 years and both the private sector and the local authority/Trust sector recognise the importance of being able to serve the fitness needs of their communities. The health and fitness market is also an important commercial aspect of the leisure market and enables other more social activities such as swimming to be offered at realistic and often subsidised rates. It is predicted that the demand for health and fitness activities will continue to grow.

The existing fitness suite at Sevenoaks Leisure Centre is now 8 years old and in order to keep its position as a prominent provider of health and fitness and meet customer expectations it is imperative that the area is refurbished.

The proposed refurbishment project will not only enable Sevenoaks to maintain its market share but will also enable this share to grow and increase the revenue that can be generated from this area.

Being conscious of keeping any development within the fabric of the existing building and causing the least disruption to customers, the proposed refurbishment will involve:

- Conversion of the existing toddler pool into a new dance studio/ multi use space with storage
- Conversion of redundant spa area into dedicated changing areas – male and female
- Conversion of existing changing areas into downstairs fitness gymnasium (free weights/functional)
- Refurbishment of existing dance studio and new access corridor to new dance studio

- Refurbishment of existing fitness gymnasium and disabled change
- Refurbishment of first floor corridor to existing fitness gymnasium
- Development of new corridor to teaching pool
- New flooring to reception and catering area
- Provision of new fitness equipment (100 stations)

FEASIBILITY

Since its original inception in 2014, the project has been revised and the building works kept within the fabric of the existing building. This has reduced the building costs considerably.

In 2014, the financial viability of the project was assessed by an independent specialist leisure consultancy, The Sports Consultancy. The feasibility study was based on the original capital build cost of £1.2m (excl VAT) with the number of fitness stations being between 100-120.

The Sports Consultancy commissioned a latent demand report from The Leisure Database Company Ltd. This report provided a detailed analysis of consumer demographics, using Experian's MOSAIC consumer profiling, for a defined core catchment area of 3 miles. The report identified the profile of consumers on a postcode basis and their propensity to join a health and fitness club. It identified competing facilities within the catchment area and their current membership numbers. This enabled a detailed estimate of latent demand to be produced and the likely overall membership targets to be defined.

These reports are accurate and are used by most major commercial health and fitness operators when making decisions on the location for new gym developments. As such, they provide a robust, but relatively conservative estimate of membership numbers - a key income generator in the business plan.

The latent demand analysis identified a latent demand for the total demand figure of 2,900, this is circa 700 members more than the current membership of 2,200.

The current provision of circa 60 stations is significantly less than the Sports Consultancy would recommend for the current membership of 2,200 and results in a ratio of 37 members per station. This is far in excess of the typical figure of 25 - 30 members per station.

The report identified that this would likely lead to lack of availability during peak times with customers having to wait to use specific pieces of equipment they may wish to use. In addition, this lack of capacity is likely to dissuade some potential members from joining and make recruitment and retention of members more difficult thus reducing the ability of Sencio being able to maximise membership and income as a result of the limited capacity.

COST OF PROJECT

The overall project has been developed with Createability who undertook the previous refurbishment of the fitness gymnasium in 2008. Createability specialise in leisure refurbishments and have worked with over 55 local authorities and leisure Trusts in developing refurbishment projects of this nature.

a) Building works

Total build costs including project management excl VAT	£568096
Total costs including VAT	£681716

b) Equipment costs

Costs for new fitness equipment, weights etc. £286,000 excl. VAT

c) Funding Options

Sencio has approached various financial organisations to secure funding/loans to undertake the project including its bank. Whilst the bank has indicated in principle that it will consider a loan subject to the underwriters approval, the fact that the council is not willing to act as guarantor on the loan, coupled with the fact the remaining lease on the building is not of sufficient length to secure the loan against, the interest on any loan would be high (between 6.45 % and 7.45%).

The council has indicated that it may be willing to offer a loan to help fund the project.

The 106 planning agreement for the demolition of Rayley's gym identifies £95,000 to be made available by the town council to incorporate into Sencio gym facilities. These monies have been confirmed by the town council for the project.

The total cost of the building works is outlined above : £681716

Minus £95k funding from STC : £586716

Loan required from SDC to fund the building works : £600k

The equipment will be leased and funded by Sencio direct.

COST CERTAINTY

Createability has provided cost certainty on the building works and will project manage.

However, they have indicated that depending on the timescales of when the building works can commence inflationary costs of 2% per quarter will need to be applied.

Createability has guaranteed the price up to December 2016.

The 2% inflationary increase will add another £13,634.00 to the building works each quarter.

TIMESCALES

It is imperative that the programme for the refurbishment is as short as possible and that any disruption to customers is kept to a minimum. The overall building works are estimated to be 18 weeks. Exact timings of the project have yet to be agreed but the work is likely to be phased as follows:

Mobilisation 6-8 weeks from signed agreement

- Conversion of toddler pool and wet side corridor by teaching pool
- Development of downstairs gym and changing rooms
- Refurbishment of existing gym/ disabled change
- Refurbishment of existing dance and build of new corridor to new dance studio
- Refurbishment of upper corridor
- Reflooring in reception and catering areas

Timing of the project is critical and it would have been ideal to have the new fitness gymnasium opening before March next year to maximise on the peak demand for new fitness members following the Christmas period. However as the loan will need to be approved by both the Finance Advisory Committee and Council's Cabinet this is not feasible.

BUSINESS CASE

The overall business plan is attached as an appendix to this plan.

The business proposition has been based on a steady and deliberate build up over 3 years with a funding period of 10 years for the building at an assumed rate of 6% and 5 years for the equipment costs.

As Sencio is unable to reclaim all of its VAT costs, the first year shows a high level of irrecoverable VAT due to the VAT on the build costs. This results in the overall surplus being reduced for the first year. However, no account has been taken of the reduction in current members as a result of the new gym and dance studio being developed.

The latent demand analysis identified a latent demand of 700 based on the current membership base of 2200. The business plan has been based on a net gain of 517 members by year 3.

SUMMARY

As outlined in the Sports Consultancy report, the results of the Leisure Database's latent demand analysis showed there is scope to increase membership, participation and income through the extension of health and fitness facilities at Sevenoaks Leisure Centre.

The reports also highlighted the following key issues:

- the current facilities are operating at a high member per station ratio of 37 members against a norm of 25-30 per station
- the current high level of members reduces the quality experience for customers
- the current high level of members limits Sencio's ability to increase membership and revenue generation.
- there is only one other competing facility within the core catchment area placing Sevenoaks Leisure Centre in a good position to capitalise on the latent demand that exists.
- in line with Leisure Database latent demand forecasts their findings supported an increase in membership to 2,900 although it is quite common for facilities to over perform against the Leisure database's forecasts if a high quality facility is provided in a good catchment area.

The proposed refurbishment of the fitness gymnasium and development of an additional dance studio is vital in ensuring that Sevenoaks Leisure Centre meets an identified need in not only improving the quality of facilities for existing members but also in attracting new members to the centre thus maintaining its position as a premier fitness/health and well being provider in the community.

Business plan showing income and expenditure for 5 years the proposed gym extension at Sevenoaks Leisure Centre

Additional income

	yr1	yr 2	yr3	yr 4	yr 5
Casual Users	£19,200	£19,200	£19,200	£19,584	£19,976
Induction	£160	£160	£160	£170	£170
Fitness Memberships	£224,380	£301,730	£326,593	£326,593	£326,593
Fitness Classes	£34,170	£41,820	£49,470	£50,459	£51,469
Joining Fees	£4,553	£4,553	£5,168	£5,271	£5,376
Personal Training	£9,000	£9,000	£9,000	£9,000	£9,000
Hire dance studio	£9,000	£11,040	£14,100	£14,382	£14,670

<u>total</u>	£300,463	£387,503	£423,690	£425,459	£427,253
---------------------	-----------------	-----------------	-----------------	-----------------	-----------------

Additional expenditure

Staff costs	£108,761	£114,177	£119,548	£120,743	£121,951
R & M and equipment servicing	£0	£2,000	£4,000	£10,000	£10,000
Marketing	£2,000	£1,000	£1,000	£1,500	£1,500
Licences	£3,700	£4,375	£5,050	£5,050	£5,050
HP/equipment lease costs	£58,000	£58,000	£58,000	£58,000	£58,000
Loan repayment	£79,935	£79,935	£79,935	£79,935	£79,935
Irrecoverable VAT	£30,000	£15,889	£15,889	£15,889	£15,889

<u>total</u>	£282,396	£275,376	£283,422	£291,117	£292,325
---------------------	-----------------	-----------------	-----------------	-----------------	-----------------

<u>profit/deficit</u>	£18,067	£112,127	£140,268	£134,342	£134,928
------------------------------	----------------	-----------------	-----------------	-----------------	-----------------

Notes

Staff costs includes New Living wage implications

R & M - fitness equipment -free servicing for the first 3 years

Equipment lease costs . CV equipment is HP rental for 5 years whilst resistance equipment / weights is leased purchased 7-10 years depending on the piece of kit. At the end of 5 year HP agreement new CV equipment will be obtained by a new HP rental agreement. At the end of the lease agreement for the resistance/weight equipment they will be traded in and new kit obtained on a new lease agreement

Irrecoverable VAT

VAT payments for the first year are high due to the build costs.

DIMENSIONS & STRUCTURAL ALTERATIONS ARE SUBJECT TO A DETAILED SURVEY

GENERAL

- 1. Do not scale drawings
- 2. All dimensions are in millimetres and all levels are relative to the ground level, unless noted otherwise.
- 3. The provision of this information does not absolve other parties involved in these works from making their own checks and verifications. It is the responsibility of the client to ensure that all dimensions and structural alterations are correct and that the safety and integrity of the existing structure is maintained.

Rev. Number	Date	Drawn/Checked
01	10/01/16	JH
02	10/01/16	JH
03	10/01/16	JH
04	10/01/16	JH
05	10/01/16	JH
06	10/01/16	JH
07	10/01/16	JH



CREATEABILITY

sancio

Client: Sarnicola Leisure Centre
Sarnicola, Sarnicola, North, TNS, 110V

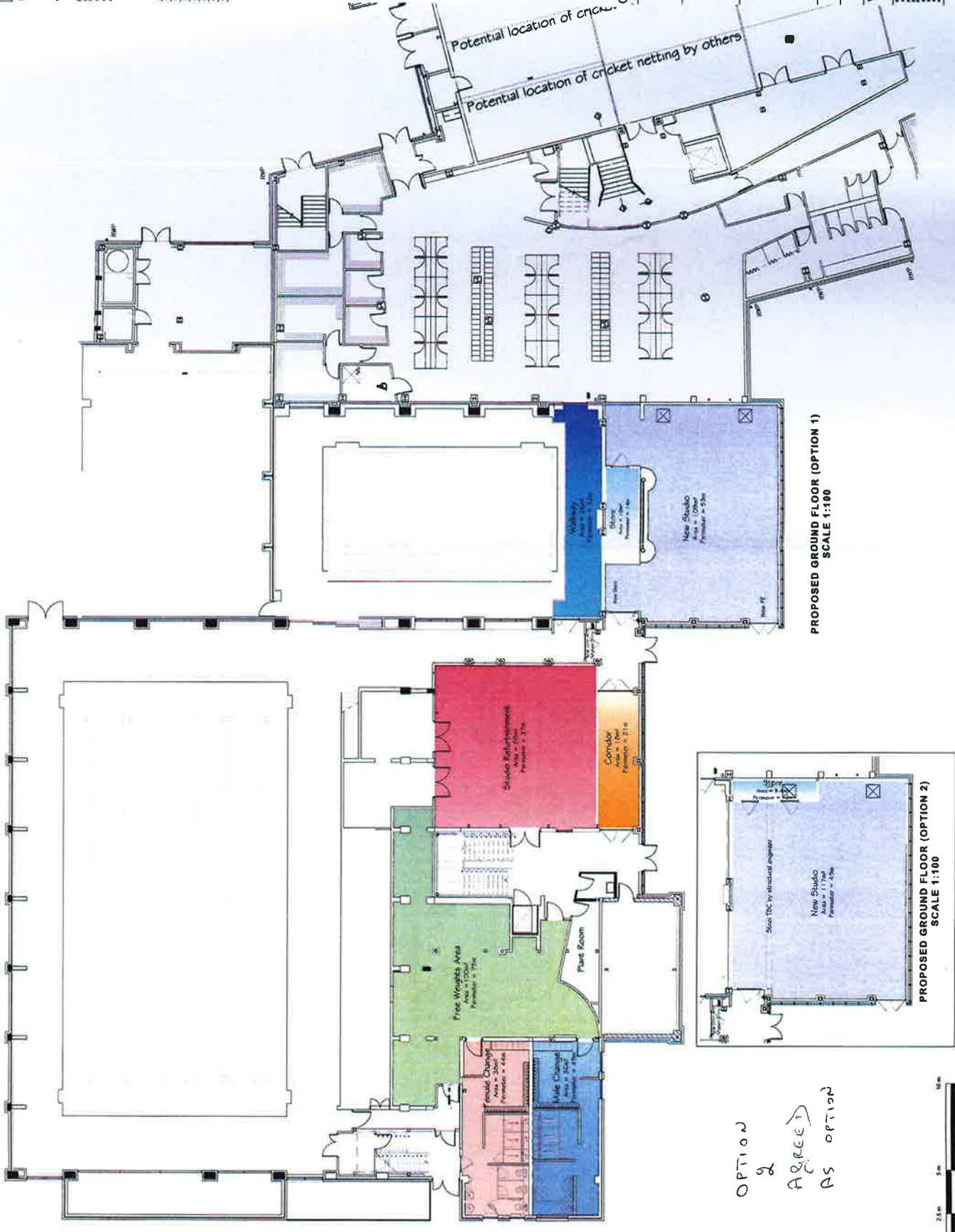
Project: Proposed Alterations GF Option A
16-022

Rev: 07
Drawing No: P-0001

Date: 20/09/16
Checked: JH
Drawn: JH

Scale: A1
As Shown: AI
Website: www.createability.co.uk

DESIGN ISSUE



OPTION 2
AGREED
AS OPTION



