

**COMMUNITY POLICY DEVELOPMENT GROUP  
27 SEPTEMBER 2016**

**Development and enhancement of facilities at Exe Valley Leisure Centre**

**Cabinet Member** Cllr Colin Slade  
**Responsible Officer** Lee Chester - Leisure Manager, Development & Performance

**Reason for Report:** To propose a business case for; constructing an extension with internal modification to the fitness facilities at Exe Valley Leisure Centre, purchasing new equipment, and upgrading the changing amenities.

**RECOMMENDATION(S):**

**That the fitness facility development project at Exe Valley Leisure Centre be identified as a Leisure priority, and recommended to Cabinet for approval.**

**Relationship to Corporate Plan:** Priority 3, Community Aim 3: Promoting physical activity, health and wellbeing; Ensuring the financial sustainability of our Leisure Centres.

**Financial Implications:** Income projections estimate a 6-7 year payback period, generating new business and aiding retention of existing customers.

**Legal Implications:** These will be managed once the tender/contract arrangements have been agreed.

**Risk Assessment:** A comprehensive assessment will be carried out prior to entering into any contracts.

**1. Introduction**

1.1 Exe Valley Leisure Centre is considered to be at capacity, particularly at peak times, and has the potential to increase income by expanding the fitness facilities, in addition to modifying the ancillary facilities, such as the changing areas and car parking to accommodate membership growth.

1.2 An options appraisal was conducted by an independent organisation, **Leisure Futures**, in August 2014. One of the recommendations concluded that, *an extension of the fitness facilities was the optimum invest-to-save option to accommodate an unmet demand for fitness memberships in the Centre's catchment area.*

1.3 A feasibility study has been completed by **AFLS&P Architects Limited**, which has proposed three options for design and specification of an extension to the fitness facilities. **(Appendix 1, 1a, 1b, 1c).**

- 1.4 Latent demand, supplied by the ***Leisure Database Company***, was provided to ascertain the potential market of new business within the catchment area. **(Appendix 2)**.
- 1.5 ***GyMetrix*** conducted a study in February 2016, to identify the current utilisation of the fitness equipment within the fitness studio and free-weights room, and complete recommendations for equipment needs.

## **2. Present proposals**

- 2.1 Option 1, 2 and 3 design proposals, have been reviewed by a project team of Officers, Senior Management and Cabinet Members, with option 2 provisionally identified as a preferred option.
- 2.2 Consideration for 24 hour access for authorised Zest members, via a proximity controlled lobby.
- 2.3 Enhance the existing fitness changing facilities to include, flooring, shower areas and decorations.
- 2.4 Review the current car parking arrangements at the front of the building to create an additional 50 parking spaces.
- 2.5 Enhancements to the swimming pool changing areas to redress aging cubicles, locker, flooring and showering facilities. It is also proposed to create a lobby area in the vanity corridor between the changing and reception areas, with doors at either end. This will establish an area specifically for the removal of outdoor footwear prior to entering the changing environment, ensuring a better system for maintaining the hygiene and cleanliness standards going forwards. In addition, the modification of circa 550 locker mechanisms across all leisure sites will be necessary, in preparation for the new release £1 coin in 2017

## **3. GyMetrix Study**

- 3.1 **Study conclusions.** The independent study reviewed the following key areas:
  - Customer value streams - What our customers do and do not value.
  - Equipment availability – Identifying equipment shortages and waste
  - Equipment heatmaps – Identifying congestion and layout flaws
  - Equipment requirements – Calculating precisely what equipment requirements would be for the project.
- 3.2 It is considered that facilities with less than 50% availability of equipment have capacity issues. Exe Valley has an overall equipment availability of 41%, with the most favoured items of equipment showing zero availability at peak times, which has an impact on satisfaction levels.

## 4. Latent Demand

- 4.1 **Leisure Database Company (LDC).** As part of this exercise, the LDC plotted the postcodes of existing members to see how far they are travelling and therefore what can be regarded as a realistic core catchment area for the centre, bearing in mind any improvements in facilities, but also the whereabouts of competing facilities in the area. LDC provided a report to demonstrate the size and demographic profile of both the existing membership and the catchment area, and the potential to increase the current membership.
- 4.2 The conclusion of this report identified that the Latent Demand for EVLC is **2,112** (report submitted by the LDC in April 2015, using data and demographics from 2013/14).
- 4.3 **Current members.** EVLC has a live membership of 1564 Adult members. Since July 2013 this membership has grown by 7% from 1455.
- 4.4 Extracts from the Local Plan reveal that there are planned to be circa 1500 new homes within the Eastern Urban Extension and Farley Meadows developments. Considering the average household occupancy is 2.35 persons per dwelling in Mid Devon, then this would theoretically generate an additional 3525 people. Whilst it is difficult to accurately estimate the likely take up of memberships from this it is worth noting that within the UK gym membership market there is a penetration of 13.2% which is an all-time high. 13.2% of the estimated increase in population of 3525 would potentially generate an additional 465 members, in excess of the latent demand.
- 4.5 **Member growth after the Lords Meadow project.** Following a comparable project for an internal reconfiguration at Lords Meadow Leisure Centre (LMLC), a report from the LDC identified a Latent Demand of 1044, at a time where the live membership was circa 650. The current live membership for LMLC has exceeded the LDC projections, and grown to 1,235.

## 5. Project Costs and Payback

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Totals
a	<b>Build Costs</b>	-£ 750,000	£ -	£ -	£ -	£ -	£ -	-£ 750,000
b	<b>Equipment</b>	-£ 35,000	-£ 35,000	-£ 30,000	-£ 30,000	-£ 30,000	-£ 30,000	-£ 220,000
c	<b>Utilities</b>	-£ 4,000	-£ 4,100	-£ 4,205	-£ 4,315	-£ 4,431	-£ 4,553	-£ 30,284
d	<b>Staffing</b>	-£ 15,000	-£ 10,000	£ -	£ -	£ -	£ -	-£ 25,000
e	<b>Marketing</b>	-£ 15,000	£ -	£ -	£ -	£ -	£ -	-£ 15,000
f	<b>Income</b>	£ 90,000	£ 137,700	£ 185,000	£ 190,550	£ 201,417	£ 213,684	£ 1,225,810
g	<b>Lost Income</b>	-£ 6,000	£ -	£ -	£ -	£ -	£ -	-£ 6,000
	<b>Cashflow</b>	-£ 735,000	£ 88,600	£ 150,795	£ 156,235	£ 166,985	£ 172,907	£ 179,526
	<b>Cumulative C/F</b>	-£735,000	-£646,400	-£495,605	-£339,370	-£172,385	£522	£179,526

- a) Costs based on Option 2, plus enhancements to fitness changing facilities. Note that based on borrowing of £750k, indicative repayment costs (calculated at 23/08/16) of circa £37k per annum, based on a 25 year repayment term, this will result in positive cashflows in the second year.
- b) Annual lease of additional equipment, including group exercise spend of £5k per annum, in years 0 & 1
- c) Minimal increase in utilities following LMLC development, 5% year on year
- d) Three months of boom activity and increase in classes in year 2
- e) Launch marketing
- f) 50% latent demand year 0, 75% latent demand year 1, 100% latent demand Year 2 - then 3% price increase year on year
- g) based on 1 week of refund for all members during linking of facilities

## **6. Consultation Processes**

6.1 To be undertaken as part of the project.

## **7. Equality Impact Assessment**

7.1 To be undertaken as part of the project

## **8. Conclusions**

8.1 In line with the Leisure objective to achieve cost neutrality by 2020, Zest membership growth is a key area that will be optimised by increasing the capacity of fitness offerings.

8.2 The facility has been identified as being at capacity with minimal opportunity for growth.

8.3 The latent demand, that has been proven to be a reliable benchmark in previous projects, identifies that growth is highly likely.

8.4 Income generation over a six year period is highly likely to payback by year 5, considering two full years of growth towards the latent demand and four years of membership levels in the region of 2112.

### **Contact for more Information:**

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