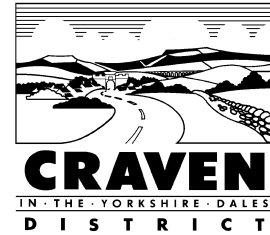


Policy Committee – 7th June 2016

Supplementary Capital Estimates



Report of the Director of Services

Lead Member: Cllr P Mulligan

Wards affected: All

1. **Purpose of Report**

To present for Members consideration requests and business cases to support the approval of capital funds for projects that are currently on the Council's reserve list in the 2016/17 capital programme.

2. **Recommendations**

Members are recommended to approve;

- 2.1 A supplementary capital estimate of £110,500 to be funded from capital receipts and the buildings reserve.
- 2.2 A net favourable supplementary revenue estimate of (£12,860) in 2016/17 rising to (£57,200) from 2017/18.
- 2.3 Contributions to the Building Reserve commencing in 2017/18 of £22,000 per annum to return the investment costs for use on future projects.

3. **Craven Swimming Pool and Leisure Centre Café**

- 3.1 The business case attached at Appendix A sets out the current trading position of the Leisure Centre café, demonstrating that it has made some improvements over the last 12 to 18 months, taking its financial position from that of losses to a projected small profit for 2015/16.
- 3.2 The business case sets out the results of enquiries made with other Leisure Centres in terms of their café offer, which shows some diverse results across the board, but with some general themes, namely:
 - Leasing to external companies is deemed as "hassle free", however, there are control issues which could lead to negative reputation for the Centre without it being their fault and it does not necessarily provide the best returns for the Council.

- There appears to be shift towards considering that there is financial gain to be made from well run and good quality cafés.
- Gym users are not considered a leisure café target market.

- 3.3 On investigating the different operating options for the café external leasing of the facility provides different options from fixed rental to profit share, however, both options do not allow the Council to maximise its income potential from the café operation.
- 3.4 Franchising options have been considered which would still require the Council to invest into, operate and staff the café facility. Some franchises e.g. Costa Coffee do not franchise to individuals and the Council would therefore need to present a business case to an already approved franchisee.
- 3.5 Costa Proud to Serve or improved drinks quality are both options to consider in taking the café operation forward.
- 3.6 The business case demonstrates that with changes to the café set up and an improvement in the quality of the offer there is extensive potential to generate good income returns. Using the current centre and park usage person visit figures set out in the business case on a 10% conversion to sales basis the café projects a net profit of c.£54,000. There is plenty of scope to improve on these projections through capacity and spend per head alone.
- 3.7 The payback period for the £50,000 investment is 1.08 years based on the projections presented.

4. Spinning Bikes

- 4.1 The business case attached at Appendix B sets out that despite their incredible success the current condition of the spinning bikes is resulting in income being lost by the Council due to their poor condition.
- 4.2 The business case shows how an additional minimum income of £3,769 against the 2015/16 income can be achieved from pay as you go customers alone.
- 4.3 The success of the Leisure Centre membership can be largely attributed to the variety and whole package inclusion of the membership fees which not only include the gym and swimming pool, but also exercise classes (including spinning classes), sauna etc. Should this incredibly popular exercise class continue to suffer from customer complaints or from being withdrawn it is entirely possible that membership numbers could reduce.
- 4.4 In addition to the bikes themselves the Leisure Centre would like to link the spin bike users up with optional wearable technology which is currently trending and set to increase significantly over the coming years, and will undoubtedly add to the popularity of the spinning bikes classes. An equipment supply company, research

and development service, has undertaken recent research into people's current motivations to exercise. They found that 72% of exercisers surveyed use technology to support their workouts. 76% say that better technological access to personal content will make them work out more and 33% of gym members say they would be willing to switch gyms for better technology if price and location were similar.

4.4 It is also worth noting that on average the industry expects that one spin bike will be hired out for 15 hourly exercise classes per week. At Craven each bike is hired out on average 29 hours per week, such is the popularity of this particular exercise class.

5. **Bereavement Services Music/Media System**

5.1 The business case attached at Appendix C sets out how the Council can generate additional income from add-on's sold through investment into a new music/media system.

5.2 The current system has started to demonstrate the possibilities within this area of the service, however, it has distinct limitations in the functions it does possess and functions that offer services to clients are missing which are being offered by our neighbouring competitors.

5.3 The new proposed system would also allow for linkages to the Services on-line booking system which would streamline the booking of these facilities providing staff time efficiencies, which are vital when operating a significant service with an extremely small team.

5.4 The new system would not only allow for booking of music through the funeral service booking system, it would also allow for web casting, DVD sales and picture/video display facilities to be booked and charged for, providing clients the best facilities thereby allowing us to be a confident competitor in the marketplace.

5.5 The payback period for the £10,000 investment is between 2.4 and 3.25 years based on 5% and 10% sales values after 5 years.

6. **Pay & Display Car Parks Repair and Re-lining**

6.1 The Council generates a significant surplus from its Pay and Display car parks. In order to maintain and grow these levels of income the Council must continue to invest into the good condition of the parking facilities.

6.2 Good conditions within car parks allow for both effective management of the car parks and the ability to mitigate against liability claims being made for either damage to vehicles or injuries to persons through slips and trips.

- 6.3 Property Services has recently undertaken condition inspections with a view to developing a 4 year planned maintenance programme over the entirety of the parking facilities. The inspections were undertaken purely with a management and safety view point. The outcome of these inspections has resulted in the requirement to undertake the following works in 2016/17:

Scheme	Descriptions	Value (£)
Backgate, Ingleton	Patch repairs and relining	2,500
Ashfield, Settle	Resurface main driveway and relining	22,000
Bunkers Hill, Skipton	Relining	500
Cavendish Street, Skipton	Minor defects and relining	3,500
		28,500

- 6.4 It may be possible for some savings to be made against these costs through economies of scale e.g. relining works are based on a day rate irrespective of the amount of work. It may be possible to organise the works to reduce the number of visits/days required overall.

7. Implications

7.1 **Financial Implications**

The financial implications for each of the projects are set out in the table below:

Project	Capital (£)	Projected Income	Payback Period where applicable
Leisure Centre Café	£50,000	£31,000 per annum (17/18 projection)	1.6 years
Spinning Bikes	£22,000	To maintain current income with potential for increase of £3,770 per annum	
Bereavement Music/media System	£10,000	At 5% sales £1,420 rising to £7,660 by year 5	3.25 years
		At 10% sales £1,420 rising to £15,880 by year 5	2.4 years
Parking repair & re-	£28,000		

lining		Required to ensure car parks maintained in good condition
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4.1 **Legal Implications**

The Council has a duty to ensure the facilities and equipment it provides for its customers and the general public to use are safe.

The Council is at risk of litigation if this duty is breached.

4.2 **Contribution to Corporate Priorities**

The corporate priority of Financial Resilience is supported through the management of the Councils assets; and maximising the opportunities to support the Council's discretionary services and the wider economy of Craven.

4.3 **Risk Management**

4.3.1 The Council must mitigate against risk of litigation by maintaining its facilities and equipment in good working order.

4.3.2 Without investment into the projects set out in this report there is an increased risk that the Council will be unable to maintain existing and generate income to the expected levels.

5 **Consultations with Others**

5.1 Other Leisure Centres, neighbouring crematoriums and café providers.

6. **Access to Information : Background Documents** –

6.1 None

7. **Author of the Report**

7.1 Hazel Smith, Business Services Manager; telephone 01756 706310; email hsmith@cravenc.gov.uk

Note : Members of CLT are invited to contact the author in advance of the meeting with any detailed queries or questions.

8. **Appendices**

Appendix A – Café Business Case

Appendix B – Spinning Bikes Business Case

Appendix C – Bereavement Music/Media System Business Case