

BABERGH DISTRICT COUNCIL

FROM: Service and Financial Planning
Task Group

REPORT NUMBER: **K168**

TO: STRATEGY COMMITTEE

DATE OF MEETING: 13 January 2011

EXTENSION TO KINGFISHER LEISURE CENTRE

1. PURPOSE OF REPORT

1.1 This report seeks approval from the committee to proceed with development plans to construct an extension to the Kingfisher Leisure Centre in Sudbury. The extension would house a play-frame/soft play facility, the income from which would be used to finance the capital costs and to generate additional income for South Suffolk Leisure, who run the facility on behalf of the Council. South Suffolk Leisure receive a management fee from the Council to run its facilities and any opportunities to generate income reduces the dependency on that subsidy.

2. RECOMMENDATIONS

2.1 That officers be given authority to proceed with the proposed extension to the Kingfisher Leisure Centre subject to:

- Detailed scrutiny of the business case for the management of the new service/facility, undertaken by SFPTG, focusing on an examination of the proposal that sufficient income can be generated to cover both capital costs and increase income for SSL.
- Formal agreement being reached with SSL on the repayment of borrowing needed to fund the capital costs, financed through the additional income generated.
- All necessary consents being obtained, including planning consent and any necessary revisions to the current lease.

The Committee is able to resolve this matter

3. FINANCIAL IMPLICATIONS

3.1 The estimated capital cost of the project is £570,000 with expenditure having occurred or predicted as follows:

Year	Expenditure (£)
2010/11	35,000
2011/12	535,000
Total	570,000

3.2 Management/Revenue Income/Expenditure:

A detailed business case has been prepared by SSL working with a specialist play organisation, *House of Play*. The detail of this business case will be examined and scrutinised by SFPTG as detailed in section 2 of this report. This business case suggests the following annual financial forecast for the new facility:

Income	123,600
Staffing costs	(19,350)
Operational costs	(5,070)
Cost of loan	(40,000)
Annual Profit (£)	59,180

3.3 Other Costs:

It is estimated that the Council will need to allow an extra £5,000 a year revenue expenditure for its own maintenance responsibilities at KLC for the 3 years from 2012/13 (i.e. following the construction of the extension).

3.4 Funding:

It is proposed that £500,000 of the capital cost is funded through a loan taken by the Council, unless external or other sources of funding can be found, the cost of which will be repaid from the additional revenue generated by the facility via a reduction in SSL's management fee. The remaining £70,000 will be funded as part of the existing capital programme for the KLC.

4. **RISK MANAGEMENT**

4.1 Key risks are set out below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
That insufficient income is generated to cover the capital costs	Low	Marginal (even if all costs were unable to be covered income would still be generated)	Detailed Scrutiny of the business case including comparative analysis of other facilities
If the project does not go ahead, there is increasing strain on the management fee paid to SSL	High	Critical	To seek other income generation opportunities or to work with SSL to reduce service provision in order to contain costs
That other as yet unanticipated financial circumstance arise that affect the income/costs of SSL – affecting the ability to repay the loan covering capital costs	Very Low	Critical	To continue to work with SSL through existing and established mechanisms to ensure that financial stability is maintained

5. **EQUALITY AND DIVERSITY IMPACT**

5.1 The nature of this project is such that there are no Equality and Diversity implications.

6. **KEY INFORMATION**

6.1 Babergh set up a charitable leisure trust to run its leisure facilities in 2006; South Suffolk Leisure (SSL) starting to trade from April 2006. When the trust was established it was anticipated that changes to the site at Sudbury (Kingfisher Leisure Centre), envisaged at that time as an extension to the Gym/fitness facilities, would be made in order to generate increased income for the trust and thereby reduce the management fee paid by the council. The management fee was reduced by £40,000 in year three of the initial five year term a decrease that has been sustained. The anticipated changes to the site, for a variety of reasons, did not, however, take place.

6.2 The current proposals have been developed in this context, but now focus on the development of a soft play centre aimed at children under 8. The change in focus has come about as studies that suggested latent demand for Gym membership, conducted some time ago and upon which the initial notion was predicated, no longer have relevance. This is because of changes in the economic climate and also that a number of other gym operators have since been established in Sudbury. A detailed business case has been prepared that suggests significant extra income could be generated through the provision of a soft play centre and there are other local examples with trusts across the West of Suffolk where similar initiatives have yielded such benefits. These examples are being examined to scrutinise the robustness of the Business case supporting these proposals.

6.3 The construction of this facility will deliver a new service to the people of the District. Soft play centres are a new concept that are proving very successful in terms of use and income generation. It is anticipated that this increased use will also generate additional income from catering.

7. **APPENDICES**

None

8. **BACKGROUND PAPERS REFERRED TO:**

None.

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