

Five Case Model - Business Case Template

Outline Business Case

ABBAY STADIUM SPORTS CENTRE – OUTDOOR FUNCTIONAL FITNESS AREA

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Contents

The Outline Business Case

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|-------------------------------|----------|
| 1. Executive Summary | 3 |
| 2. Introduction | 3 |
| 3. The Strategic Case | 3 |
| 4. The Economic Case | 4 |
| 5. The Commercial Case | 5 |
| 6. The Financial Case | 5 |
| 7. The Management Case | 6 |
| 8. Next Steps | 7 |

1. Executive Summary

Rubicon Leisure Limited propose to develop a new functional fitness outdoor gym area measuring approximately 225 metres squared at the rear of the centre between the main building and the athletics track. The new outdoor gym facility could accommodate up to 30 people exercising safely outdoors at any one time, increasing the gym capacity at the site by 30% from 100 (pre-covid-19 pandemic capacity – current safe operating level indoors is reduced to 60 people) currently at the indoor gym to 130 per hour across the existing gym and proposed new outdoor facility.

The outdoor functional fitness area facility is estimated to cost approximately £255,000. It is proposed that this project is financed by Section 106 funds secured through contributions from three local housing development schemes for improvement in sport and/or fitness provision so the local residents moving into houses in the developments can access local amenities. The gym and fitness classes are the busiest area of the Abbey Stadium Sports Facility with pre-pandemic membership levels at approximately 2,850 members the highest the centre has seen. The proposal will widen the range of exercise facilities available to the centres users, provide something unique in the borough and provide additional capacity to help the Redditch community to recover stronger from the pandemic.

Rubicon Leisure are proposing to procure the new facility through the UK Leisure Framework, with Alliance Leisure project managing the development. ,

The proposal will help meet the Council's and Rubicon's aims and objectives of increasing physical activity opportunities and supporting people to improve their health and wellbeing and provide extra capacity to accommodate the increased demand placed on facilities by the new housing developments. Access to the facility will be open to all through the Abbey Stadium Sports centre and specific targeted activity sessions run by Rubicon Leisure in partnership with the council's Sports Development Officers will ensure the facility is used by those in the community who wish to use an outdoor functional fitness training facility to improve their health.

The Executive are recommended to approve the funding of the proposed outdoor functional fitness area at the Abbey Stadium Sports Centre.

2. Introduction

One of Redditch Borough Council's key strategic purposes is 'to help people live independent, active and healthy lives'. Rubicon Leisure as the Council's trading company fully supports this purpose by managing the council's Abbey Stadium Sports Centre amongst other facilities to encourage everyone to be more active through a wide variety of sports and fitness related facilities and opportunities. Currently the Abbey Stadium Sports Centre in a usual operational year has approximately 400,000 attendances across the range of sports facilities including the swimming pool, sports hall, gym, group exercise studios and athletics track.

The council has required as planning gain a total of £257,431.22 of capital investment from three local housing development schemes for off-site contributions towards improving the boroughs playing pitches and/or sports facilities.

The three schemes are:

12-120/OUT Weights Lane – £100,195.75 (index linked) to expend the off-site playing pitches contribution only on the provision and/or improvement of the quality of play pitches and/or sports facilities in Redditch.

13-289 Land off Dixon close - £17,418.97 (Index linked) to expand the Play and Sports Facilities contribution on the improvement of the quality of playing pitches and/or sports facilities in and around the borough of Redditch.

2014/256/OUT Phase II Brockhill East - £139,816.50 (Index linked) to use the Playing Pitch contribution towards Abbey Stadium Facilities or withing the strategic site.

3. The Strategic Case

A new functional training area is the key facility investment at the Abbey Stadium which would generate the most amount of attendances, be used by the widest variety of centre users, have the greatest community benefit and contribute the most to the Council's and Rubicon's key priorities of improving health and wellbeing and increasing activity and is therefore the preferred option.

In line with Industry trends the project scope at Abbey Stadium is intended to develop a large outdoor secure fitness facility primarily focused on functional boot camp type exercise classes. The outdoor facility would comprise the following;

- A flat marked out outdoor fitness surface which is suitable for customers to either train in a group via an instructor or independently
- A large outdoor fitness rig which offers numerous fitness exercises
- Lifting rigs
- Fencing
- Lighting
- A weather-proof cover in the form of a sail / covering type system
- A range of fitness equipment to compliment the fixed rigs within the facility

The proposed facility has the potential of achieving a maximum annual throughput of 148,500 maximum attendances a year based on a capacity of 30 people per hour across the sites opening hours. It is unlikely this would ever be achieved but based on achieving 50% occupancy across the first year of operation it could aim to reach 74,250 attendances

The Abbey Stadiums current gym and fitness class membership base is 1,648 (pre COVID-19 it was at a high of 2,883 members). Rubicon Leisure estimate, based on industry figures, that 40% of the current members would use the proposed new facility, it would provide a new attractive element to encourage the 1,200 members who have postponed their membership during the pandemic to return but in addition the site would expect to attract new customers too, particularly those moving into the new housing developments locally. As a reminder the term 'member', refers to anyone who signs up to participate regularly in the gym, swimming or fitness classes. Membership is open to anyone and there are a number of concessionary schemes available to encourage everyone to take part in their activity of choice at the Abbey Stadium.

Research has shown that exercising outdoors provides all the physical benefits of indoor exercise (blood flow, improved cardiovascular health, improved strength, flexibility, endurance) but can also provide:

- Vital exposure to sunlight that increases important levels of Vitamin D.
- A boost to your immune system (green exercise)
- Fresh air, grass, trees, and colours of the natural environment have a positive impact on mental health and physical well-being
- An average of 30 minutes spent in nature leads to increased physical activity and lower prevalence of high blood pressure and depression.

With the Covid-19 pandemic due to continue for the foreseeable future (until the vaccine is rolled out widely in society) offering exercise in an outdoor environment is currently perceived to be a safer way to exercise and keep fit.

In line with the benefits above, trends are already appearing in the Industry with some operators such as David Lloyd already providing facilities outdoors for people to exercise safely enjoying the benefits of exercising outdoors as detailed above.

4. The Economic Case

The proposed new functional fitness outdoor gym area is an extension of the gym and fitness class programme at the Abbey Stadium sports centre, providing an area for individuals to train by themselves and a different kind of outdoor studio for group exercise/fitness classes for a wide variety of groups. The 'functional' element of the gym training facility proposal relies predominantly on using an individual's own body weight as the resistance in training, using a variety of equipment to test all of the bodies muscle groups as well as stamina and strength training. In theory, it combines the best of the gym together with group exercise in an outdoor setting which is growing in popularity and is available for anyone to use following an appropriate induction and guidance as part of the membership package offered by Rubicon Leisure.

The approximate main costs in delivering the proposed facility improvement scheme are as follows:

Professional fees for design and planning permission including site surveys - £33,000

Constructions costs £35,000

Specialist sports surfacing 225m² - £70,000

Storage container - £16,000

Roof covering to provide some shelter and shade - £35,000

Equipment - £53,000

Sub Total = £242,000

Framework fee - £2,000

Contingency 5% - £13,000

Total = £257,000 (inc VAT)

If the site was to achieve the 50% occupancy estimate in Year 1 of approximately 74,000 attendances/visits then the approximate capital cost of £257,000 works out at approximately £3.47 per visit in Year 1. This costs per attendance/visit usage obviously decreases over time as attendance/visits increase year on year the cost per visit reduces.

The proposal is seen as an add on to the gym facilities and group exercise classes that are available at the Abbey Sports Stadium and it will not be a separate chargeable activity. Therefore, it will not be possible to specifically identify the direct impact on income at the

centre however it would be picked up in overall gym membership income. It is therefore not a specific income generator for the Abbey Stadium or Rubicon Leisure but a proposal which significantly enhances the leisure and specifically the health and fitness offer at the centre available to the whole community to use appropriately.

Leisure Database undertook a latent demand study in April 2019 which estimated a potential latent membership demand of an additional 528 members, (based on pre-pandemic figures). In today's fitness market membership is now very much linked to group exercise classes and the proposed development is looking to increase space to assist in accommodating the identified latent demand growth.

This facility will allow Rubicon Leisure to build on the current work we are doing at the Abbey Stadium to provide targeted health and well-being sessions for local residents. At present we offer Activity Referral, Diabetes and Cancer Referral sessions as well as an immensely popular Senior Circuits programme for the older generation

This project will also allow us to develop new activities in partnership with the Development Services Team at Redditch BC. Within the Service Specification with Redditch BC, Rubicon Leisure provide 12 hours a week of free of charge development time for the Council to provide sessions for the local community. This facility will allow the officers to offer more sessions for the groups they work with to include those residents with health inequality issues within the new development areas related to the funding of this scheme. We intend to offer taster sessions for residents residing in those areas in an attempt to persuade them to join their local gym to improve their participation in physical activity. All of the above will form part of a joint development plan that we are currently looking to devise with Redditch BC Development Services.

5. The Commercial Case

Rubicon's vision is to market this facility to:

- Its existing customers as an added facility and incentive to continue their membership
- New potential customers, such as those residing in new housing developments, as it will be a USP in the area in comparison to other fitness facilities
- Increase the capacity of its current fitness offer
- Build on our targeted Health Intervention Programme and offer outreach sessions to the local community to try and stimulate the awareness of how exercise helps to keep people active and healthy. – see section below for more detail

6. The Financial Case

As with any project a number of assumptions will need to be made within the project plan and cannot be fully tested and reviewed until each phase of the approach is completed. Some of the assumptions with this project are as follows;

- The indicative costs below are at this point estimated as contractors have not been on site to evaluate the scale of ground works required.
- A survey will need to be carried out to understand what supplies and services are located in the area where the proposed facility is being sited.
- Covid 19 has had a significant impact on the health and fitness market and though the latent demand study has identified a further 528 members (based on pre-pandemic figures) would want to join a local fitness facility we would need to be mindful of achieving this additional figure due to the impact of Covid 19 both on the baseline membership figure used in the study and going forward as confidence on joining gyms continues to be prevalent until the risk of contracting the virus is eradicated. In addition, we would need to factor in local competition as the provision of health and fitness in the Town is competitive and local residents have choices in terms of the facility they join.

Lifecycle costs are how much it costs to keep a facility open and fit-for-purpose during its lifetime. This includes the costs for major replacement; planned preventative maintenance and day-to-day repairs. The costs are expressed as a percentage of the capital cost. It's important not to underestimate the importance of regular maintenance and the expenses necessary in maintaining a facility throughout its life. Based on data from Sport England a 25year cost model is usually used to determine the lifecycle costs for outdoor sports facilities for the main fabric of the new proposed facility.

This would include the specialist sports surface, fencing and sports floodlights and container and an estimate of 3% of the capital cost is used for contributions towards a sinking fund and 0.5% for ongoing maintenance costs is average across a range of outdoor sports facilities such as Multi-use games areas, Tennis courts and artificial grass pitches. With regards to the specialist sports equipment and expecting it to get heavy usage and for it to stand up to the elements a 5-10 year replacement costs is anticipated. The £45,000 equipment cost would then be depreciated at £4,500 over 10years or £9,000 over 5 years in terms of providing replacement kit in a sinking fund and a maintenance cost of 4% of approximately £1,800 per annum.

All ongoing revenue costs would be the responsibility of Rubicon Leisure and it is estimated that the Sinking Fund contributions and maintenance costs together with other operational costs as well as any additional staffing costs for fitness instructors would be covered by Rubicon and would be offset by additional memberships taken out at the Abbey Stadium. It is estimated that annual revenue costs for operating the new facility are approximately £60,000 per annum and include contributions for sinking fund and ongoing maintenance as well as operational costs as mentioned above. This equates to approximately 150 new members at the Abbey Stadium paying monthly all-inclusive fee to access the gym including the new outdoor gym area, group exercise fitness classes and swimming. 150 members attending the Abbey Stadium facility for 3 times a week equates to approximately 23,400 attendances per annum.

7. The Management Case

It is proposed that a three way project group is established to move this scheme forward if approved which will be led by Rubicon Leisure, with support from the Council as the freeholder with responsibility for discharging the Section 106 funding as legally agreed with Rubicon determining the procurement route which at the moment is through procuring Alliance Leisure to develop and deliver the scheme at the Abbey Stadium.

8. Next Steps

Broad timelines for delivery of this project

| <u>Project Stage</u> | <u>Estimated Timeline</u> |
|--|----------------------------------|
| Submission of Report to RBC / Executive Committee Approval | January 2021 |
| Draw down of funds as necessary | April – July 2021 |

Conclusion

Rubicon Leisure is very happy to recommend this proposal to Redditch Borough Council and believes this is a viable project funded by Section 106 contributions as there is no financial capital outlay to the company or the Council and the proposed use is compliant with the legal agreements between the Council and the Developer. Any ongoing revenue costs would be covered by fees for usage and these revenue costs include maintenance and sinking fund contributions as well as operational costs.

The project has many benefits and will increase the overall offer at Abbey Stadium as well as hopefully giving the Council and Board members confidence that investment into the site has both financial and social return on investment and contribute to the aims of improving the health and wellbeing of the local community and in particular the new residents of the proposed developments.