

Section 6 Development Options and Business Planning

Table 6.7 Business Plan - All Facilities

Plymouth Central Park Life Centre - Year 1 Forecast						Table 6.7
EXPENDITURE SCHEDULE		Bowls	Ice	Sports Hall Arena	Swimming Pool	Total
Item	Description					
Labour Costs	Salaries	0	56,306	341,122	155,740	553,168
	Wages	12,459	216,808	125,862	178,694	533,823
Equipment and Materials	Maintenance	2,500	17,000	8,000	4,000	31,500
	Replacement of Equipment	5,000	15,000	7,000	9,000	35,000
Utilities and Power	Electricity	7,500	40,000	15,000	35,000	97,500
	Gas	7,500	30,000	12,000	42,000	91,500
	Water & Sewerage	1,500	7,000	6,000	22,000	36,500
Maintenance-Engineering	Buildings Maintenance - Sched.	1,500	10,000	4,000	10,000	25,500
	Buildings Maintenance - Unsched.	2,000	8,000	3,000	7,000	18,000
	Plant Maintenance- Sched.	2,000	10,000	4,000	10,000	26,000
	Plant Maintenance- unshed.	2,000	7,000	3,000	7,000	18,000
	Grunds	2,500	2,500	2,500	2,500	10,000
Staff costs	Uniform	100	10,000	2,500	5,000	17,600
	Recruitment	0	1,000	1,000	3,500	5,500
	Travel	0	500	500	750	1,750
	Staff Training	150	6,000	3,500	8,000	17,650
Other Costs	Telephones	500	3,000	5,000	1,000	9,500
	Advertising, Marketing & Publicity	2,500	4,000	4,000	4,000	14,500
	Stationery & Postage	1,000	2,000	2,000	2,500	7,500
	Photocopying/Printing	1,000	1,000	2,000	2,000	6,000
	Fibres & Fittings	500	1,000	1,000	1,000	3,500
	Insurance	1,500	10,000	5,000	8,000	24,500
	NHDR	0	0	0	0	0
	Licences	1,500	0	6,000	4,000	11,500
	Cleaning Materials	500	2,500	3,000	6,000	12,000
	Chemicals	0	1,000	0	11,000	12,000
	Vending Machine Hire	1,300	1,300	3,900	2,500	9,100
	Vending Supplies	3,500	8,000	11,000	9,000	31,500
	Catering Supplies		0	0	38,400	38,400
	Goods For Resale	300	3,600	1,800	7,200	12,900
	Cash Collection	360	0	2,800	0	3,160
	Refuse Collection	0	0	2,500	0	2,500
	Performance Bond	0	0	0	0	0
	Credit Card Charges	0	0	1,000	200	1,200
	Computer Maintenance	400	1,000	3,000	1,000	5,400
	Service Contracts	2,000	4,000	4,000	4,000	14,000
	Depreciation	0	17,500	135,000	5,000	157,500
	Start Up Costs	0	0	0	0	0
	Lifecycle Costs	28,650	78,000	117,000	200,600	416,250
Total Expenditure		92,219	565,014	848,984	806,684	2,312,901
INCOME						
	Memberships	0	18,951	354,000	26,655	397,506
	Casual gym admissions	0	0	38,460	0	38,460
	Swimming Admissions	0		0	360,000	360,000
	Ice Admissions		425,532			425,532
	Ice discos		33,511			33,511
	School	0	0	55,000	30,000	85,000
	Lessons	0	18,149	0	80,000	98,149
	Pool hire/Clubs	0	0	0	59,520	59,520
	Events	0	20,426	0	25,000	45,426
	Sports Hall	0	0	95,000	0	95,000
	Sports Hall Events	0	0	24,000	0	24,000
	Dance Studio	0	0	45,000	0	45,000
	Children's Holiday Activities	0	4,885	4,000	3,500	11,585
	Courses	3,000	0	55,000	0	58,000
	Bowls	145,000	0	0	0	145,000
	Hire	0	38,298	7,800	0	46,098
	Equipment Hire	700	0	2,000	1,000	3,700
	Childrens Parties	0	15,319	11,915	5,957	33,191
	Catering	0	0	0	96,000	96,000
	Vending	7,000	18,000	22,000	18,000	63,000
	Machines income	0	0	1,200	1,400	2,600
	Resale	500	6,000	3,000	12,000	21,500
	Advertising/Sponsorship	0	10,000	15,000	10,000	35,000
Total Income		156,200	605,170	731,374	729,033	2,221,777
Net Surplus/Deficit		63,981	40,156	-117,609	-77,651	-91,123

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Table 6.8 Business Plan Summary Totals – All Facilities

EXPENDITURE SCHEDULE		Total	
Item	Description		
Labour Costs	Salaries	553,168	
	Wages	533,823	
Equipment and Materials	Maintenance	31,500	
	Replacement of Equipment	35,000	
Utilities and Power	Electricity	97,500	
	Gas	91,500	
	Water & Sewerage	36,500	
Maintenance/Engineering	Buildings Maintenance - Sched.	25,500	
	Buildings Maintenance - Unsched.	18,000	
	Plant Maintenance- Sched.	26,000	
	Plant Maintenance- unshed.	19,000	
	Grounds	10,000	
Staff costs	Uniform	17,600	
	Recruitment	5,500	
	Travel	1,750	
	Staff Training	17,650	
Other Costs	Telephones	9,500	
	Advertising, Marketing & Publicity	14,500	
	Stationery & Postage	7,500	
	Photocopying/Printing	6,000	
	Fixtures & Fittings	3,500	
	Insurance	24,500	
	NHDR	0	
	Licences	11,500	
	Cleaning Materials	12,000	
	Chemicals	12,000	
	Vending Machine Hire	9,100	
	Vending Supplies	31,500	
	Catering Supplies	38,400	
	Goods For Resale	12,900	
	Cash Collection	3,160	
	Refuse Collection	2,500	
	Performance Bond	0	
	Credit Card Charges	1,200	
	Computer Maintenance	5,400	
	Service Contracts	14,000	
	Depreciation	157,500	
	Start Up Costs	0	
	Lifecycle Costs	416,250	
	Total Expenditure		2,312,901
	INCOME		
		Memberships	397,506
		Casual gym admissions	36,460
		Swimming Admissions	360,000
	Ice Admissions	425,532	
	Ice discos	33,511	
	School	85,000	
	Lessons	99,149	
	Pool hire/Clubs	59,520	
	Events	45,426	
	Sports Hall	95,000	
	Sports Hall Events	24,000	
	Dance Studio	45,000	
	Children's Holiday Activities	11,585	
	Courses	58,000	
	Bows	145,000	
	Hire	46,098	
	Equipment Hire	3,700	
	Childrens Parties	33,191	
	Catering	96,000	
	Vending	63,000	
	Machines income	2,600	
	Resale	21,500	
	Advertising/Sponsorship	35,000	
Total Income		2,221,778	
Net Surplus/Deficit		-91,123	

Table 6.9 Depreciation Schedule

Plymouth Central Park Life Centre		Table 6.9							
Depreciation	Capital Cost	Yr 1 Cost	NBV	Yr 2 Cost	NBV	Yr 3 Cost	NBV	Yr 4 Cost	NBV
Fixtures and Fittings									
Miscellaneous including office furniture	12,000	3000	9000	3000	6000	3000	3000	3000	0
Computer equipment and telecommunications									
PC's, Server and LAN including Telephones Fully automated all areas									
Total Cost	54,000	13500	40,500	13500	27,000	13500	13500	13500	0
Sports and leisure equipment									
Floor Cleaning Machines	4000	1000	3,000	1000	2,000	1000	1000	1000	0
Loose Sports Equipment	40,000	10000	30,000	10000	20,000	10000	10,000	10000	0
Fitness Equipment	450,000	112,500	337,500	112,500	225,000	112,500	112,500	112,500	0
Ice Maintenance equipment	70,000	17,500	52,500	17,500	35,000	17,500	17,500	17,500	0
Total Depreciation YR1 to YR4	630,000	157500	472500	157500	315000	157500	157500	157500	0

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Table 6.10 Staffing Analysis

Table 6.10										
Staffing	POST	Number Full - Time	Number Hrs/Week	Weeks	Salary	Allow's	NI (6.8%)	Pensions	Other on-costs	Total Costs
	Manager	1	37	52	40000.00	4000.00	4000.00	3600.00	1600.00	53200.00
	Duty Manager	3	37	52	17000.00	0.00	1156.00	1530.00	680.00	61096.00
	Fitness / Sales Manager	1	37	52	16000.00	1600.00	1088.00	1440.00	640.00	20768.00
	Administrator	1	37	52	16000.00	0.00	1088.00	1440.00	640.00	19168.00
	Leisure Assistant (Wet)	7	37	52	14000.00	0.00	952.00	1260.00	560.00	117404.00
	Leisure Assistant (Dry)	3	37	52	14000.00	0.00	952.00	1260.00	560.00	50316.00
	Leisure Assistant (Ice)	7	37	52	14000.00	0.00	952.00	1260.00	560.00	117404.00
	Ops/Tech Manager	1	37	52	17000.00	0.00	1156.00	1530.00	680.00	20966.00
	Ops Manager Ice	1	37	52	17000.00	0.00	1156.00	1530.00	680.00	20966.00
	Receptionist	3	37	52	14000.00	0.00	952.00	1260.00	560.00	50316.00
	Catering Supervisor	1	37	52	15000.00	0.00	1020.00	1360.00	600.00	17970.00
	Creche Supervisor	1	37	52	16000.00	0.00	1088.00	1440.00	640.00	19168.00
	Maintenance	2	37	52	15000.00	0.00	1020.00	1360.00	600.00	35940.00
	Fitness Consultant	4	37	52	14000.00	0.00	952.00	1260.00	560.00	67088.00
	Totals	36				5600.00	17532.00	21510.00	9560.00	670572.00
	POST	Number Part - Time	Number Hrs/Week	Weeks	Hourly rate	Salary Total £	NI (6.8%)	Pensions	Other on-costs	Total Costs
	Leisure Assistant (wet)	14	250	52	6.50	84500.00	5746.00	7605.00	3380.00	101231.00
	Leisure Assistant (dry)	5	105	20	6.50	13650.00	928.20	1228.50	545.00	16352.70
	Leisure Assistant (Ice)	10	150	52	6.50	50700.00	3447.60	4553.00	2028.00	60738.60
	Reception (dry)	3	30	52	6.50	10140.00	689.52	912.60	405.60	12147.72
	Reception (wet)	1	25	52	6.50	8450.00	574.60	760.50	338.00	10123.10
	Fitness Consultants	4	60	52	6.50	27040.00	1838.72	2433.60	1081.60	32393.92
	Aerobics/Fitness	7	30	50	17.00	25500.00	1734.00	2295.00	1020.00	30549.00
	Aquafit	1	5	50	17.00	4250.00	289.00	382.50	170.00	5091.50
	Ice coaching	5	23	45	17.00	17595.00	1196.46	1583.55	703.60	21078.61
	discos fees	2	6	50	25.00	10000.00	680.00	900.00	400.00	11980.00
	Cleaning (dry)	2	40	52	6.00	12480.00	848.64	1123.20	499.20	14951.04
	Cleaning (wet)	1	25	52	6.00	7800.00	530.40	702.00	312.00	9344.40
	Cleaning (Ice)	2	15	52	6.00	4680.00	318.24	421.20	187.20	5606.64
	Catering Assistants	4	60	40	6.00	19200.00	1305.60	1728.00	768.00	23001.60
	Creche Assistants	2	50	50	6.50	16250.00	1105.00	1462.50	650.00	19467.50
	Bowls LA	2	40	40	6.50	10400.00	707.20	936.00	415.00	12459.20
	Swimming Teachers	5	40	48	13.00	24960.00	1697.28	2246.40	998.40	29902.08
	Totals	70				347595.00	23636.46	31283.55	13903.80	416418.81
								Total		1084990.81

Section 6 Development Options and Business Planning

Table 6.11 Sensitivity Analysis

Sensitivity Analysis		Table xx				
100% Income	2005/06	2006/07	2007/08	2008/09	2009/10	
Total Income	2221778	2275901	2328007	2381353	2435969	
Total Expenditure	2312901	2365075	2418815	2474167	2514680	
Total Deficit / Surplus	-91123	-89174	-90808	-92814	-78711	
98% Income	2005/06	2006/07	2007/08	2008/09	2009/10	
Total Income	2177342	2230383	2281447	2333726	2387250	
Total Expenditure	2312901	2365075	2418815	2474167	2373680	
Total Deficit / Surplus	-135559	-134692	-137368	-140441	13570	
96% Income	2005/06	2006/07	2007/08	2008/09	2009/10	
Total Income	2132907	2184865	2234887	2286099	2338530	
Total Expenditure	2312901	2365075	2418815	2474167	2373680	
Total Deficit / Surplus	-179994	-180210	-183928	-188068	-35150	
94% Income	2005/06	2006/07	2007/08	2008/09	2009/10	
Total Income	2088471	2138347	2188327	2238472	2289811	
Total Expenditure	2312901	2365075	2418815	2474167	2373680	
Total Deficit / Surplus	-224430	-225728	-230488	-235695	-83869	
92% Income	2005/06	2006/07	2007/08	2008/09	2009/10	
Total Income	2044036	2093829	2141766	2190845	2241091	
Total Expenditure	2312901	2365075	2418815	2474167	2373680	
Total Deficit / Surplus	-268865	-271246	-277049	-283322	-132589	
90% Income	2005/06	2006/07	2007/08	2008/09	2009/10	
Total Income	1998600	2048311	2095206	2143218	2192372	
Total Expenditure	2312901	2365075	2418815	2474167	2373680	
Total Deficit / Surplus	-313301	-316764	-323609	-330949	-181308	

Section 6 Development Options and Business Planning

10 year forecast

Plymouth Central Park Life Centre - 10 Year Forecast		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Table xx
EXPENDITURE SCHEDULE	Description											
Labour Costs		503,830	508,792	508,450	503,842	502,589	513,272	505,512	508,527	508,273	514,739	
	Salaries	433,843	439,805	439,463	434,855	433,602	444,237	437,445	440,460	440,206	446,271	
	Prognosis	69,987	68,987	69,000	68,987	68,987	69,035	68,067	68,067	68,067	68,468	
Equipment and Materials		33,000	32,443	32,443	32,443	32,443	32,443	32,443	32,443	32,443	32,443	
	Maintenance	33,000	32,443	32,443	32,443	32,443	32,443	32,443	32,443	32,443	32,443	
	Replacement of Equipment	0	0	0	0	0	0	0	0	0	0	
Utilities and Power		75,000	76,050	76,100	76,150	76,200	76,250	76,300	76,350	76,400	76,450	
	Electricity	75,000	76,050	76,100	76,150	76,200	76,250	76,300	76,350	76,400	76,450	
	Gas	0	0	0	0	0	0	0	0	0	0	
	Water & Sewerage	0	0	0	0	0	0	0	0	0	0	
Maintenance/Engineering		25,000	24,500	24,000	23,500	23,000	22,500	22,000	21,500	21,000	20,500	
	Building Maintenance - Street	25,000	24,500	24,000	23,500	23,000	22,500	22,000	21,500	21,000	20,500	
	Building Maintenance - Outfit	0	0	0	0	0	0	0	0	0	0	
	Plant Maintenance - Street	0	0	0	0	0	0	0	0	0	0	
	Plant Maintenance - unstaffed	0	0	0	0	0	0	0	0	0	0	
Staff costs		17,000	16,500	16,000	15,500	15,000	14,500	14,000	13,500	13,000	12,500	
	London	17,000	16,500	16,000	15,500	15,000	14,500	14,000	13,500	13,000	12,500	
	Recruitment	0	0	0	0	0	0	0	0	0	0	
	Travel	0	0	0	0	0	0	0	0	0	0	
	Staff Training	0	0	0	0	0	0	0	0	0	0	
Other Costs		9,000	8,750	8,500	8,250	8,000	7,750	7,500	7,250	7,000	6,750	
	Telephone	9,000	8,750	8,500	8,250	8,000	7,750	7,500	7,250	7,000	6,750	
	Advertising, Marketing & Publicity	0	0	0	0	0	0	0	0	0	0	
	Stationery & Postage	0	0	0	0	0	0	0	0	0	0	
	Photocopying/Printing	0	0	0	0	0	0	0	0	0	0	
	Plant & IT/Shop	0	0	0	0	0	0	0	0	0	0	
	Insurance	0	0	0	0	0	0	0	0	0	0	
	WCD	0	0	0	0	0	0	0	0	0	0	
	Letters	0	0	0	0	0	0	0	0	0	0	
	Cleaning Materials	0	0	0	0	0	0	0	0	0	0	
	Chemicals	0	0	0	0	0	0	0	0	0	0	
	8,000	7,750	7,500	7,250	7,000	6,750	6,500	6,250	6,000	5,750		
	Washing Machine Hire	0	0	0	0	0	0	0	0	0	0	
	Washing Supplies	0	0	0	0	0	0	0	0	0	0	
	Cleaning Supplies	0	0	0	0	0	0	0	0	0	0	
	Goods for Repair	0	0	0	0	0	0	0	0	0	0	
	Cloth Collection	0	0	0	0	0	0	0	0	0	0	
	Patrol Collection	0	0	0	0	0	0	0	0	0	0	
	Performance Band	0	0	0	0	0	0	0	0	0	0	
	Credit Card Charges	0	0	0	0	0	0	0	0	0	0	
	Computer Maintenance	0	0	0	0	0	0	0	0	0	0	
	Banker's Charges	0	0	0	0	0	0	0	0	0	0	
	Depreciation	0	0	0	0	0	0	0	0	0	0	
	Staff Use Costs	0	0	0	0	0	0	0	0	0	0	
	Libraries Costs	0	0	0	0	0	0	0	0	0	0	
Total Expenditure		2,312,261	2,305,375	2,318,815	2,314,167	2,314,088	2,323,482	2,333,087	2,338,108	2,349,264	2,359,441	
Income		247,500	248,457	249,414	250,371	251,328	252,285	253,242	254,200	255,157	256,114	
	Memberships	247,500	248,457	249,414	250,371	251,328	252,285	253,242	254,200	255,157	256,114	
	Carrot pen subscriptions	0	0	0	0	0	0	0	0	0	0	
	Donating Admissions	0	0	0	0	0	0	0	0	0	0	
	Ice Admissions	0	0	0	0	0	0	0	0	0	0	
	Ice Machine	0	0	0	0	0	0	0	0	0	0	
	School	0	0	0	0	0	0	0	0	0	0	
	Leisure	0	0	0	0	0	0	0	0	0	0	
	Food for Clubs	0	0	0	0	0	0	0	0	0	0	
	Events	0	0	0	0	0	0	0	0	0	0	
	Sports Hire	0	0	0	0	0	0	0	0	0	0	
	Sports Hall Events	0	0	0	0	0	0	0	0	0	0	
	Drive Machine	0	0	0	0	0	0	0	0	0	0	
	Children's Holiday Activities	0	0	0	0	0	0	0	0	0	0	
	Courses	0	0	0	0	0	0	0	0	0	0	
	Books	0	0	0	0	0	0	0	0	0	0	
	Hire	0	0	0	0	0	0	0	0	0	0	
	Equipment Hire	0	0	0	0	0	0	0	0	0	0	
	Children's Parties	0	0	0	0	0	0	0	0	0	0	
	Catering	0	0	0	0	0	0	0	0	0	0	
	Vendor	0	0	0	0	0	0	0	0	0	0	
	Machines income	0	0	0	0	0	0	0	0	0	0	
	Revenue	0	0	0	0	0	0	0	0	0	0	
Total Income		2,312,261	2,305,375	2,318,815	2,314,167	2,314,088	2,323,482	2,333,087	2,338,108	2,349,264	2,359,441	
Net Surplus/Deficit		-91,123	-89,174	-90,500	-92,914	-92,760	-91,996	-89,747	-89,425	-92,572	-93,034	

Section 6 Development Options and Business Planning

Key Findings

- 6.24 The agreed facility mix for the CPLC have been estimated at today's costs and projected to the 4th quarter 2007, and a detailed breakdown has been provided. Subsequently the operational revenue business plan of this particular facility mix has been developed for each main building element and then the overall position established.
- 6.25 The bottom-line position with all facilities included shows an annual net operational deficit requirement of £91,000. This is a significant improvement on the operational efficiency of the existing facilities. Integrated lifecycle costs have been built into the projections to ensure regular investment and ensure that the facility is maintained to a quality standard year on year. This will also reduce the risk of any unscheduled future closures or major shutdown periods.
- 6.26 These capital and revenue costs will be utilised in the following section as part of the overall financial affordability modelling.

Section 7 Funding, Procurement and Management Options

Introduction

- 7.1 There are a number of external drivers that are making a significant impact on funding options. In general the current economic climate is beneficial for organisations that wish to make significant investments. Interest rates are lower than they have been for 40 years and inflation is low. There is also an expectation of a continuing stability in the economy for the next three years or more.
- 7.2 The introduction of a new regulatory framework has supported the viability of less traditional procurement models. Consequently, investment in leisure services is now funded from a variety of sources including the local authority's own budgets, borrowing, disposal of assets, grants, loans and donations.
- 7.3 The Audit Commission's Comprehensive Performance Assessment (CPA) regime for 2005 also underlies the importance of local authorities adopting a strategic approach to external funding. The CPA now considers a strategic approach to identifying and sourcing finances as a key part of the value for money assessment.
- 7.4 This section is comprised of the following 4 main elements:
- Funding Options
 - Affordability Analysis
 - Procurement Options
 - Management Options

Funding Options

- 7.5 We have considered a number of funding options available to secure the capital funding required to deliver the CPLC project for Plymouth including:
- Partner contributions
 - Capital receipts
 - Revenue savings
 - Section 106
 - Grants
 - Unsupported Borrowing
 - Leasing
 - Public Private Partnership

Partner Contributions

- 7.6 As the project develops, there are opportunities to strengthen the relationship between the various partners and, potentially secure both capital and revenue contributions. These contributions could be linked to a delivery specification based on the outcomes required of the funding body, for example increased participation rates amongst target groups and delivery of specific programmes such as health improvements.
- 7.7 Initial meetings have been held with the Primary Care Trust, University of Plymouth and Marjon. The University of Plymouth have indicated their intention to provide capital support for the project. This is estimated at £3 million (although £500K will be needed for sports pitch improvement, so only £2.5 million will be directly attributable CPLC.) At the current time none of the other project partners have been able to identify secured funding for this project.

Capital Receipts

- 7.8 Capital receipts are typically generated by selling land or other capital assets. Receipts can however, also include the repayment of loans to third parties, which have been made to finance capital expenditure and disposal of a mortgage portfolio.
- 7.9 With the exception of the sales of Housing Revenue properties under the Right to Buy scheme (including disposing of HRA mortgage portfolios) where only 25% is available for use (75% has to be paid to the national pool) previous rules relating to setting aside a proportion of the receipt for the repayment of debt have been abolished.
- 7.10 Each local authority has to develop an Asset Management Plan (AMP) which details the approach to rationalising operational properties with a view to disposing of surplus assets or those no longer 'fit for purpose' or those that do not meet the strategic need of the Authority.
- 7.11 The AMP also needs to identify 'backlog repairs' required to all properties owned by the local authority to assist in the decision making process for future investment or disposals.
- 7.12 The Mayflower Centre underwent a condition survey in 2001 that identified an investment need of c£2m for basic repairs but c£8m required to bring up it to modern day standards. It must be noted these figures are from 2001 and one should assume a minimum 12% inflation increase on these estimates. Likewise the current estimate for repairs at Central Park Pools is c£3m and no doubt the estimate for rebuild would be comparable and probably more than the requirement for the Mayflower Centre. No recent or detailed condition survey data is available.
- 7.13 The starting point for any rationalisation process should be the service and community needs of the local population. However, several Local Authorities also have significant portfolios of investment properties. Many of these have been built up over a number of years and their rent income streams are supporting the revenue budget. Consideration of the disposing of such assets, generating capital receipts in order to facilitate new capital investment, must include a review of the impact of the loss of this revenue.

Capital Receipt Options – Commercial Development – Cinema

- 7.14 During the study a soft market testing exercise was carried out with potential cinema operators including:
- Odeon and UCI Cinemas Group
 - Cineworld (which includes the former UGC cinemas)
 - VUE Entertainment
 - National Amusements (trading as Showcase Cinemas).
- 7.15 All four companies were contacted to investigate their interest in operating a multiplex cinema within a proposed development in Central Park. National Amusements have traditionally only bought edge or out of town sites although they are now entering city centres with a new format. Central Park does not fit either model and the location is therefore not suitable for them.

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- 7.16 The other three companies all indicated a strong interest, providing the multiplex was part of a fully integrated commercial leisure package that contained complementary attractions including bars and restaurants.
- 7.17 None of the companies were interested in undertaking the development themselves and all would only consider institutional leases. Attitudes towards rental levels varied but at worst a minimum initial rent of £8.00sqft could be expected assuming there was no reverse premium. However, a higher figure can be anticipated.
- 7.18 Odeon and Cineworld indicated they would want 12 screen complexes requiring 40/45,000 sq. ft; VUE envisaged a smaller cinema of around 8 screens requiring 25,000 sq. ft on the basis that it would be complementary to their existing 15 screen multiplex on the Barbican Leisure Park.

Land Sale for Residential Use

- 7.19 An area of land in the south of Central Park has been identified on the Masterplan as a potential area for residential use. The area was identified as being 5.36 acres. Based on a land value of £1m per acre (residential use), this site could generate a receipt of c£5.3m.

Additional Retail Units

- 7.20 There is also the opportunity of commercial (A3) and use in the Masterplan designated area. This would be commercial leisure bar/restaurant, family dining. These developments would compliment each other and enjoy a symbiotic relationship. One would not survive without the other. There would be scope with the provision of CPLC, for a 12 screen cinema and 3/4 residential units.

Hotel Development

- 7.21 A comprehensive market analysis has been completed in relation to this opportunity and this can be found in the, **Section 8**.

Revenue Savings

- 7.22 Under local authority finance rules direct funding of capital expenditure from the revenue budget is allowed, although it is constrained by any pressures on the revenue budget. Local authorities may also have revenue reserves, accrued in previous years, which they may use to finance new capital investment.
- 7.23 The study has identified potential revenue saving through the provision of the Central Park Life Centre in comparison to the existing facilities on Central Park of £279,000 with ice provision and £239,000 without. This figure is based on the 2005/2006 PCC leisure budgets.
- 7.24 There are also additional savings that could be made with the following changes to the operational service delivery including:

1 Charitable Trust Delivery of all leisure facilities	£60,000
2 Closure of Seaton Pool	£100,000
3 Reduction in Management Fee for Pavilions	£1,000,000

For the modules used later in this section the savings of £100k at Seaton pool have been removed as we understand this already been allocated as a budget saving.

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- 7.25 It should be noted these are indicative figures and further detailed evaluation of the existing service delivery and financial performance needs to be conducted to verify these and identify other opportunities or savings. This wider service review needs to be completed as part of the detailed Central Park Design and Business Case.

Section 106 Agreements

- 7.26 Section 106 of the Town and Country Planning Act 1990 (as amended) enables local authorities to negotiate financial contributions from developers towards the cost of provision of off site infrastructure, facilities and/or services. These contributions need to be reasonably related to the development that is the subject of the planning application. Traditionally, these contributions have related to specific items, for example, the construction of a junction improvement in the direct vicinity of the site. However, due to the changing scope and practice in planning, there are now 3 areas where actual financial contributions from developers may be sought, i.e. the requirement to include a proportion of the site for affordable housing, transport measures and open space/leisure.
- 7.27 No section 106 agreements have been identified to support the scheme, however all potential future agreements could be considered. This includes potential opportunities with SWRDA, including options with The Plymouth Pavilions site or other land subject to the desired Millbay Regeneration Scheme, and Seaton Pool.
- 7.28 The potential land sale of the existing Matchroom Snooker facility at Derriford for residential development, and part of the proceeds being contractually linked to direct investment into CPLC, and the development of a snooker centre at Central Park, could be a potential 106 agreement. There is certainly a commitment from the owner to invest in CPLC and develop a snooker centre at Central Park. The operation of the facility could be linked to an overall sports trust, although any bar and catering operation would be retained by Matchroom.

Grant Aid

- 7.29 There are a number of funding regimes and programmes established by the government, European Union, charitable trusts which support certain categories or types of programmes. Each fund will have its own eligibility criteria, and will usually require some degree of match funding from the applicants own resources or from other organisations. The consultant team have explored various grant opportunities, however there is limited grant aid available for sports related projects.
- 7.30 Consultation with Louise Treacher from Sport England, South West, indicated strong support for the scheme. However, any funding would need to tie in with their existing funding criteria and timeframe. At this stage Sport England would be looking for a submitted application for the scheme by January 2006. There could be the possibility of negotiating on some points due to the nature of the build but these would need to be worked out directly with Plymouth City Council. Appendix C summaries the funding process for the South West Sport England Community Investment fund for integrated facilities and discovery centres.
- 7.31 The Big Lottery Fund have developed a new funding stream called 'Living Landmarks' where a small number of schemes are available for grants of £10m to £25m and one large scheme could benefit from support up to £50m. The Authority has strategically decided that this is not an option as there is limited possibility of success, and a significant amount of work required to bid for funding.

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Unsupported Borrowing

- 7.32 The legislative framework for the financing of Local Authorities' capital expenditure in England and Wales is contained in the Local Government Act 2003. This replaced the previous system, contained in Part IV of the Local Government and Housing Act 1989, which was based on basic credit approvals (BCAs) and supplementary credit approvals (SCAs), set by central government to limit the amount the local authorities debt liability.
- 7.33 Local Authorities now have the powers to determine their own programmes for capital investment. Fixed assets are central to the delivery of quality local public services, based on their own 'prudential' decisions about how much they can afford to borrow.
- 7.34 Furthermore, the public sector can borrow at lower interest rates than private sector partners are typically able to. This advantage is at least 2% per annum and represents a considerable saving. The public sector can take advantage of this by seeking additional revenue contributions from partners and undertaking prudential borrowing.

Leasing

- 7.35 Decisions to enter into operating leasing, have principally been driven by a desire to remove the transaction from the capital control system. The criteria in deciding whether a leasing transaction is on or off balance sheet has now been superseded by the need to comply with accepted accounting standards, principally SSAP21, FRS 5 and IAS 17. All of these stress the need to identify the true nature of the transaction as well as where the true risks and rewards of where the transaction lies. For example, most leases involving land and buildings would be classified as operating leases, but some leases could be categorised as financing arrangements and therefore will be finance leases.
- 7.36 The emphasis now is on the provision of transactions that include, not only the financing of assets, but also the concomitant supply of services. It will also be the management of the asset that will be the driving force in deciding the suitability of leasing as a method of finance. With local authorities able to set their own authorised limits, the need to avoid charging assets to the Balance Sheet is no longer of primary importance.
- 7.37 Leisure services have a long history of leasing equipment. This avoids the problem of financing from a loan over a longer period than the equipment lasts. For local Councils a lease arrangement has other advantages:
- An operating lease is off-balance sheet, so does not affect the capacity to borrow and the other controls on capital. With the development of the prudential code this is less important but still needs to be taken into account. It is critical to take into account the overall financial position of the authority in conducting a financial appraisal to ensure decisions do not conceal the real cost to the Council
 - Operating leases avoid the requirement to make a Minimum Revenue Provision of 4%
 - Leasing companies, unlike public sector organisations, still get capital allowances, thus reducing cost

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7.38 Property leases are more complex. The longer they extend, the more the accounting treatment needs to reflect the capital nature of such transactions. It is difficult to support the argument that these stay off balance sheet, but, if the lease is properly constructed, the Council can participate in the added value of the Council's covenant. A developer gets more cash back if the assured rental stream from a new building is a triple A rated organisation such as a council.

Public Private Partnerships

7.39 Public Private Partnerships (PPP) are frequently used by the public sector, not only as a mechanism to inject capital finance into public services, but also to open up service delivery to the efficiencies of the market. They are the preferred option for service delivery across a range of public sector services with the principles of partnership being well recognised. In essence, they require a joint responsibility for the planning and implementation of service delivery with the partners having reciprocal policies of information provision and sharing agreed amounts of risk and reward. The following are examples of PPP often found within leisure:

- Private Finance Initiative
- Public Private Partnership – Management Agreements.

7.40 Public Finance Initiative (PFI) represents a fundamental shift in the way capital assets and services are delivered with the public sector buying a service with the provision of the asset being financed by the private sector. Each year the government makes available funds for PFI projects through various departments for related schemes. These departments issue PFI credits upon which the revenue grant is calculated.

7.41 A classic PFI is a Design, Build, Finance and Operate (DBFO) scheme where the private sector provider designs the scheme, builds it, finances it and operates it, providing the service for a fixed period (usually 25-30 years for a scheme which includes the provision of buildings). The client pays a 'unitary' charge for the agreed period of time, providing that the service being provided is in accordance with the payment mechanism conditions. This charge reflects the capital cost, the financing cost (i.e. interest and repayment), operating costs and profit, less any third party income stream e.g. letting income.

7.42 The 'output specification', determined by the client, is key to ensuring the asset and the service are provided in accordance with the client's wishes.

7.43 The contract, between the client and the provider, lays down the 'risk' transferred to the private sector and the 'risk' which is retained by the client. The principle behind the allocation of risk is that 'value for money is most likely to be obtained when risk is assigned to those best placed to manage it'.

7.44 The University of Hertfordshire Sports Village was procured through a PFI funding route with the assets and facility management contract provided by the private sector. However, the University sports team has maintained the operation of the sports village programme due to the complexity of developing an output specification to define the required service.

7.45 The LIFT company is also another way of funding this project as arguably the objectives of the LIFT company are about delivering health improvements through capital development, a key objective of CPLC. Whilst capital could be procured

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through this route to deliver the project it is probably not affordable at this stage. In addition following the term of the contractual arrangement usually around 25 years, the ownership of the asset transfers to the LIFT company. A situation that is unlikely to be acceptable to the Authority strategically and politically.

- Management Agreements.

7.46 A Management Agreement is usually a long-term facilities management contract that may include a level of capital investment. Normally a lease or concession agreement is offered in return for the operator to deliver services. The freeholder often retains responsibility for the structure and fabric of the building and any associated defects.

7.47 In the leisure sector, PPP arrangements are now commonplace with many local authorities entering into predominantly long term partnerships with both private sector and voluntary sector providers. This was initially introduced through the advent of Compulsory Competitive Tendering (CCT) in the 1990's but, following Best Value legislation, has changed dramatically. There has been a shift from quantitative price based specifications to more qualitative performance based contracts.

7.48 Identified below are some of the advantages and disadvantages of establishing some form of PPP:

Advantages

- commercial approach to management – introducing an entrepreneurial culture
- Competitive bidding process would demonstrate Best Value and could realise increased revenue savings
- Opportunity to improve revenue situation
- Access to development capital if required
- Opportunity for Prudential Borrowing on 'invest to save schemes'
- Guaranteed financial commitment
- Sport and leisure expertise – utilising best practise and economies of scale.

Disadvantages

- Some delegation of day to day control via the specification
- Impact on central services
- Employee anxiety over transfer
- Procurement costs, timescale and risks
- Imperfect competition may lead to too few bids to realise best value
- Development of specification can result in loss of market opportunities.

Summary

7.49 There are a number of funding options available to Plymouth City Council to procure the project. The funding route chosen will depend on various factors, such as timeframe for the project, available partners funding and, to a lesser extent, the procurement mechanism. Based on the available information, Plymouth could adopt a mixed approach to funding that includes elements of the following:

- Capital Receipt

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- 7.50 Additional funding will need to be identified if the capital borrowing requirement is to be lowered and more affordable to the authority. At the moment the council is undergoing a review of its capital programme and prioritisation. Any new capital funding will need to be considered against existing schemes.
- Partner Contributions.
- 7.51 University of Plymouth, Marjon College and the PCT have shown interest in the project. At this stage, £3 million has been committed by University of Plymouth primarily for the provision of a 12-court sports hall and sports pitches. Other revenue funding has not been considered as part of the business planning process but could, in the future, enable increased revenue and capital to be contributed to the scheme.
- Revenue Contributions.
- 7.52 The Council has identified a budget saving of approximately £250k through the closure of Central Park and the Mayflower Centre. Other funding could also be identified if a wider rationalisation process was undertaken.
- Unsupported Borrowing – The Prudential Code.
- 7.53 The Council can use the powers set out in section 1 of the Local Government Act 2003 to borrow money to fund the project. It also has a duty to determine the affordable borrowing limit and must keep under review how much money it can afford to borrow (section 3, Local Government Act 2003). The prudential code now requires the Authority to consider its investment plans in terms of affordability, prudence and sustainability. These factors are mutually dependant and require a holistic approach to the Councils overall financial position. This approach requires the Council to satisfy itself that the capital investment programme can be met from the Councils overall resources without unsustainable future increases in local taxation. Appendix k provides further guidance on the Prudential Code.
- 7.54 The Council needs to consider this development, CPLC as part of its current plans in terms of the challenges that it faces in the coming years. The current economic climate is beneficial for organisations making significant investments since interest rates are lower than they have been for 40 years and inflation is low with an expectation of a continuing stable economic situation for the next three years or more. In a period of high interest rates and high inflation, a significant investment would carry a higher risk.
- 7.55 The Council can borrow at lower interest rates than private sector partners are typically able to. This advantage is at least 2% per annum and represents a considerable saving for example (£300,000 per annum initially, on borrowing of £15m). The Council can take advantage of this by seeking revenue contributions from partners and undertaking Prudential Borrowing.
- 7.56 The models in the following paragraphs have been developed with advice from Sector Treasury, a treasury management and investment division of the Capita Group. Sector are currently contracted to Plymouth City Council to provide a range of financial services. Further details on the capabilities of the Sector Team is attached in Appendix L.

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Affordability – Central Park Life Centre

Capital

7.57 The current position with regard to funding the capital cost of CPLC reveals a significant funding gap. The capital costs identified in Section 6 (inflated to 4th quarter 2007) are:

CPLC All facilities	£37.05m
CPLC No ice arena	£27.46m

7.58 The identified current capital costs for 4th quarter 2005 are £33.59m and £24.9m respectively.

7.59 The only guaranteed contribution to date is the investment of £3m (£2.5m for CPLC) from the University of Plymouth. We have originally assumed the success of the bid to Sport England for Community Investment Funding (CIF) of £1.5m, although this is now unlikely.

7.60 This represents a potential total of £2.5m towards the £37m without any other contributory funding options.

Revenue

7.61 In the previous section (6) we have demonstrated that the new CPLC can be operated more effectively and efficiently than the current Mayflower and Central Park Pools thus improving the revenue subsidy requirement.

Subsidy saving with ice Arena	£279k
Subsidy saving without Ice Arena	£239k

7.62 Having had the opportunity to review the overall headline financial performance of the other Local Authority provided facilities we have also identified additional potential revenue savings that could be utilised to further support the capital build up prudentially. These include:

Leisure Trust Delivery All Sites	£60k
Reduction in Mgt Fee at Plymouth Pavilions	£1,000m
Total	£1,060m

7.63 In summary the potential indicative revenue savings could be:

CPLC All Facilities	£1.34m
CPLC No Ice Arena	£1.30m

Affordability Modelling

7.64 The following tables summarises the annual revenue available to meet the capital financing costs for the following 5 models:

- Option 1 Facility Cost based on Quarter 4 2005 with ice
- Option 2 Facility Cost based on Quarter 4 2007 with ice
- Option 3 Facility Cost based on Quarter 4 2007 without ice

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- Option 4 Facility Cost based on Quarter 4 2007 with community ice
- Option 5 Facility Cost based on Quarter 4 2007 Dryside only (All service revenue savings)

7.65 Option 1 showing this years costs is included for comparison only. The capital costs are as identified as are the revenue savings.

7.66 The capital financing models assumes a Minimum Repayment Provision (MRP) of 4% and an interest of 4.5% based on the long term Public Works Load Board (PWLB). It also assumes that these will be over a 25 year period.

Table 7.1 Option 1 Facility Costs

Affordability Analysis		
Option 1: Facility Costs - 4th Quarter 2005 with ice		
Total Capital Requirement		£33,591,000
Less Partners contribution		£2,500,000
Capital Funding Requirement		£31,091,000
Annual Cost of Borrowing		
MRP	4.00%	£1,243,640
Interest	4.50%	£1,399,095
Total Costs of Capital (Annual)		£2,642,735
Less Annual Efficiency Savings		£279,000
Total Cost of Borrowing Required (Annually)		£2,363,735
Total Capital Budget		£26,263,722

7.67 This option is the comparator for this year and includes only the direct revenue saving from the comparison of the business plan for CPLC and the existing facility costs.

7.68 Table 7.1 shows the annual revenue cost of £2.3m. With the exception of the costs at Central Park Pools and Mayflower this is the addition revenue cost to the service to deliver this project this year. With the partners contribution and the annual revenue savings the total outright capital cost to maintain a zero revenue position is £26.2m.

7.69 The other models follow the same format.

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Table 7.2 Option 2: Facility Costs - 4th Quarter 2007 with Ice

Affordability Analysis		
Option 2: Facility Costs - 4th Quarter 2007 with ice		
Total Capital Requirement		£37,051,000
Less Partners contribution		£2,500,000
Capital Funding Requirement		£34,551,000
	Annual Cost of Borrowing	
MRP	4.00%	£1,382,040
Interest	4.50%	£1,554,795
Total Costs of Capital (Annual)		£2,936,835
Less Annual Efficiency Savings		£1,339,000
Total Cost of Borrowing Required (Annually)		£1,597,835
Total Capital Budget		£17,753,722

7.70 This model has the considerably higher revenue savings from the whole service changes identified, and reduces the total capital budget requirement to £17m.

Table 7.3 Option 3: Facility Costs - 4th Quarter 2007 without Ice

Affordability Analysis		
Option 3: Facility Costs - 4th Quarter 2007 without ice		
Total Capital Requirement		£27,461,000
Less Partners contribution		£2,500,000
Capital Funding Requirement		£24,961,000
	Annual Cost of Borrowing	
MRP	4.00%	£998,440
Interest	4.50%	£1,123,245
Total Costs of Capital (Annual)		£2,121,685
less Annual Efficiency Savings		£1,299,000
		£822,685
Total Capital Budget		£9,140,944

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Table 7.4 Option 4: Facility Costs - 4th Quarter 2007 with Community Ice

Affordability Analysis		
Option 4: Facility Costs - 4th Quarter 2007 with Community Ice		
Total Capital Requirement		£31,873,000
Less Partners contribution		£2,500,000
Capital Funding Requirement		£29,373,000
	Annual Cost of Borrowing	
MRP	4.00%	£1,174,920
Interest	4.50%	£1,321,785
Total Costs of Capital (Annual)		£2,496,705
Less Annual Efficiency Savings		£1,339,000
Total Cost of Borrowing Required (Annually)		£1,157,705
Total Capital Budget		£12,863,389

The capital costs include all facilities except the ice arena costs which is replaced by a Community Ice Facility.

Table 7.5 Option 5: Facility Costs - 4th Quarter 2007 Dryside Only

Affordability Analysis		
Option 5: Facility Costs - 4th Quarter 2007 Dryside Only		
Total Capital Requirement		£13,892,000
Less Partners contribution		£2,500,000
Capital Funding Requirement		£11,392,000
	Annual Cost of Borrowing	
MRP	4.00%	£455,680
Interest	4.50%	£512,640
Total Costs of Capital (Annual)		£968,320
Less Annual Efficiency Savings		£1,060,000
Total Cost of Borrowing Required (Annually)		-£91,680
Total Capital Budget		-£1,018,667

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The capital costs include sportshall, bowls and public realm.

7.71 This model does show an accurate analysis and could be delivered at no extra revenue cost, with revenue savings to the value of £908k as opposed to the modelled amount of £1,060m.

7.72 The capital costs include sportshall, bowls and public realm. The revenue costs show just the direct comparison of revenue savings of CPLC in comparison to existing facilities, of Central Park Pools and Mayflower Centre. This option still has the operational costs of Central Park Pools factored in as we have assumed with a Dryside only facility Central Park Pools would remain in situ.

Summary

Table 7.6 Options Summary Table

Affordability Analysis - Options Summary Table		
Options	Annual Revenue Cost	Capital Cost Requirement
1	£2,363,735	£26,263,722
2	£1,597,835	£17,753,722
3	£822,685	£9,140,944
4	£1,157,705	£12,863,389
5	-£91,680	-£1,018,667

7.73 Table 7.7 is a summary of the various options. It is clear with the potential opportunity of savings in revenues across the service, the capital liability with using unsupported borrowing through the prudential route can be dramatically reduced. This then makes the scheme affordable and deliverable particularly if the project is phased.

7.74 The potential capital funding options through capital receipts or section 106 agreements with commercial leisure development, residential development, hotel or cinema development could provide the required capital build up to progress the project.

Procurement Options

7.75 There are four basic procurement methods in place that could be adopted by the Authority to construct the building, including:

- Traditional
- Design & build
- Management
- Construction management

7.76 These are also dependant on the type of funding option chosen as a PPP could and probably would have a significant influence on the above 4 methodologies.

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Traditional

- 7.77 Using a traditional procurement method, the client would commission consultants to prepare designs and specifications for works that are then constructed by a contractor engaged separately. The contractor is likely to engage sub-contractors for actual construction on site. Traditionally, the contractor offering the lowest bid for the work would be awarded the contract. The benefits of this approach include cost certainty, competitive pricing, very good control of design / materials / quality, the ability to transfer construction risks and a reasonable ability to incorporate change post-contract. The key risks to this approach are minimal float in programme, longest delivery programme and the fact that the Client bears all of the design risk.

Design and Build

- 7.78 In its purest form, design and build (D&B) is a project delivery method in which the client holds a single contract with a single entity for both the design and construction of a project. There are however many variants on design and build contracts and in many instances initial design work will be undertaken by the client before transfer to the design and build contractor. Thereafter the contractor takes single-point responsibility for the design and construction. The contractor usually employs consultants for the design element and sub-contractors for the actual construction work. Design & Build is owner-driven and it commonly reduces project delivery time by eliminating lengthy bidding proceedings.

Management

- 7.79 A Management Contractor would typically be appointed at the pre-construction stage (i.e. after the detailed design has been completed to the clients satisfaction) to finish the design and manage the construction. The Management Contractor is paid on a fee basis to manage and deliver the project. The fee comprises a percentage for profit and a fixed amount for overheads. All construction work is carried out by the sub-contractors, selected and appointed in consultation with the client and his / her professional advisers.

Construction Management

- 7.80 Construction Management is where the client employs specialist trade contractors to carry out the various elements of the project and a management team to supervise and administer these contracts. This procurement method allows the client to retain full control of the project; however, the Client takes on more financial risk (which could be positive or negative depending on the market conditions etc).
- 7.81 Each procurement method has its own characteristics with the choice of procurement method depending on the nature and objectives of the project, as well as the best potential for the delivery of value for money. Selection of the procurement method should take place at earliest possible stage so that appropriate resources can be engaged.
- 7.82 Appendix M provides a simple guide to the characteristics of the four basic procurement methods. The characteristics of the four basic procurement methods can be adapted to suit a particular project; however, care should be taken to avoid compromising the basic principles and essential characteristics of the procurement method. Common adaptations include a 2-stage traditional method that speeds up mobilisation but still gives the Client control of the design and construction process.

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7.83 When selecting the procurement method it is useful to look at the outcomes of previous procurements, particularly for similar projects, and take account of their problems and successes in deciding the procurement strategy. Aim to build on success, not to repeat problems. Examples of some of the many successful sports projects (managed by Capita Symonds) and their procurement methods are given below.

- Chelsea FC Training Academy - Traditional
- NOF PE & Sports (LB Lambeth) - Traditional
- Ferndale Sports Centre - Design & Build
- RAC Sports Centre (Epsom) - Construction Management
- RFU, Twickenham - Construction Management.

Management Options

7.84 This section summaries the management options available to Plymouth City Council for the operation of Central Park. There are a total of 4,411 local authority owned or education based swimming, sports and leisure venues open to the public in the UK. Of these, 16% have a contract expiry date. 54% are managed by private leisure management contractors, 25% by a Trust and 21% in house.

Private Leisure operators

7.85 Over the last few years the private sector has evolved considerably and now offers local authorities an alternative to in-house service delivery particularly where financial resources are scarce. The financial stability of companies has also been underpinned by the formation of strategic alliances with larger companies or merger and acquisition activity in the market place.

7.86 The market has matured into one dominated by the five main leisure management organisations including:

- SLM
- DC Leisure
- Leisure Connection
- Parkwood
- Serco

7.87 With this improved stability and access to capital, however, has come a hardening of attitudes with an increased focus on the bottom line of the contract. It is estimated that the private sector companies, who run local authority facilities and sport facilities situated on educational sites, have invested between £250,000 and £5 million pounds per centre for contracts between five and twenty five years

7.88 Research, undertaken by Business in Sport and Leisure (BiSL) considered the effect of private sector investment on the usage of sport and leisure centres managed by the private sector. It showed that usage increased incrementally over a three-year period and that private sector contractors have reduced the subsidy paid by the local authority by between £50,000 to £250,000. This is shown in table 7.8.

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Table 7.8 Percentage Changes in Usage following Private Sector Investment

Private Sector Investment	Usage prior to investment	Usage Post Investment Year 1'	Percentage Increase Year 1	% Increase Year 2	% Increase Year 3
£1.4 m	710,000	747,000	5%	13%	16%
£3.9 m	814,000	934,000	15%	41%	36%
£1.3 m	440,000	470,000	7%	9%	9%
£0.2 m	253,000	378,000	49%	75%	86%
£0.95 m	433,000	470,000	9%	19%	29%
Totals	2,650,000	2,999,000	13%	28%	30%

Source BISL (2004)

- 7.89 In the early stages of CCT, contracts were awarded for relatively short periods of time (four to six years). This length of contract duration has changed to reflect the investment requirements, with contracts now often being awarded for ten to fifteen years. Twenty five to thirty year contracts are not unusual especially when linked to significant service investments through a public/private partnership approach.

Trust / Not For Profit Distributing Organisation (NPDO)

- 7.90 The externalisation of leisure facility management to charitable trusts is an increasing trend in the leisure industry. The main advantages derive from National Non-Domestic Rates (NNDR) and VAT savings as well as the ability to attract grant funding through the charitable status.
- 7.91 Currently there are around 105 members of SpoRTA (Sport and Recreation Trusts Association) which 95% of Trusts are members. Trusts predominately control single authority facilities, although a number are now operating outside their originating Authority, e.g. Greenwich Leisure Limited and Fusion (Southwark Leisure Limited) operate facilities outside Greenwich and Southwark.

Section 7 Funding, Procurement and Management Options

7.92 The following table provides a summary of the Trust types

Table 7.9 Summary of the different types of Trusts

Trust Type	2004	2003	2002
Industrial Provident Society (IPS)	17%	21%	29%
IPS with exempt charity status	10%	8%	8%
Charity Limited by Guarantee (CLG)	3%	11%	10%
CLG with registered charity status	55%	37%	37%
Other	9%	21%	10%

7.93 The rationale for developing a Trust type of delivery within Local Authorities should not be purely in terms of the financial benefits of the reduced NNDR and VAT savings, but for a strategic improvement in the delivery of the leisure services.

7.94 The following highlights some of the advantages and disadvantages of the Trust type of operation for Plymouth.

Advantage

- VAT favourable treatment of supplies
- Will improve Councils overall VAT position in relation to 5% threshold
- NNDR savings – mandatory 80%. 20% discretionary
- Fiscal / favourable treatment with Corporation Tax, Capital Gains, and Tax relief and donations
- Capital expenditure opportunities
- Fits with Best Value partnering
- Ability to engage the local community through direct representation.

Disadvantages

- Extent of capital investment and may still require support on assets
- Support service impact
- Service fragmentation
- Need quality Trustees and need to retain
- Ability of TUPE to 'protect' employee benefits
- Reversibility not guaranteed
- Cost implications and timeframe of set-up can be prohibitive.

7.95 In relation to the Trust option Plymouth City Council has 3 potential options in relation to service delivery:

- Set up their own Leisure Trust through the Authority
- Partner with a Private Sector Leisure Management Contractor 'Hybrid' trust
- Partnership with an existing Leisure Trust.

Section 7 Funding, Procurement and Management Options

7.96 In relation to the in-house Trust set-up there are some major considerations that could impact on this option in comparison to the other 2 Trust options, including:

- Timescale to set-up (potentially 12-15 months)
- Cost of set-up (potentially £100k or more)
- Range of current issues with parts of existing service to address
- Limited capacity and commercial expertise in-house to deliver
- Limited opportunity to invest (Track record).

7.97 In relation to the Hybrid model and the Partnering with an existing Trust the issues above are more positive for the Authority and similarly listed below are some of the advantages and disadvantages.

Advantages

- Reduced set-up costs (£30-£50k)
- Reducing timescale to set-up
- Tax savings and economies of scale
- Past performance and history
- Guaranteed financial commitment and ability to invest due to track record
- Focus on Leisure as prime rationale for existence
- Structures and documentation in place.

Disadvantages

- Impact on central services personnel and costs
- Potential conflict of interest of Board between operations and strategically
- Potential dilution of the authority's objectives and policies.

Private Sector Operator- 'Hybrid' Trusts

7.98 The market within this field has changed considerably over the past 3 / 4 years with a huge growth in Leisure Trusts resulting in private leisure operators establishing NPDOs to try and maintain market share. Whilst there is some scepticism within the industry, the introduction of a NPDO provide opportunities for certain Authorities. This would include:

- Provision of capital
- A more commercial operation
- Tax savings with NNDR and in some cases VAT concessions.

7.99 Many local authorities have been concerned about the transparency of the arrangements and have sought legal advice. The recent versions of the hybrid are becoming more sophisticated, simpler in structural terms and easier for local authorities to understand than the prototype hybrids. Although many of these arrangements are in existence, there is still no guarantee that they will not be subject to legal challenge.

Summary

7.100 Whilst there is only a relatively small amount of guaranteed capital funding we have identified a number of options that could provide major contributions to the capital required to deliver this project. The next section, Section 8 explores the opportunity for including a hotel development in the facility mix.

Section 7 Funding, Procurement and Management Options

- 7.101 The affordability analysis shows that by reducing the cost of delivering the service there is a great opportunity to reduce the capital liability on the project, to a much more affordable level through the use of prudential borrowing. The authority can go down this route even if it decides to move towards a private sector delivery model, as the cost of borrowing is far more advantageous for the authority. The authority would contract the repayments to the new service deliverer. Similarly if the facility mix was reduced or phased would support the deliverability, affordability and long-term sustainability.
- 7.102 The procurement structure adopted by Plymouth City Council must be one that it is comfortable with and which ensures that its social and financial objectives can be achieved. If a NPDO route was chosen, Capita Symonds would recommend, in general terms, the most appropriate option for the new service would be partnering with an existing Trust Operator. This could be delivered following a procurement process.

Section 8 Hotel Development Appraisal, Central Park

8.1 Capita Symonds have prepared additional background information to evaluate the commercial opportunities of a hotel development in Plymouth's Central Park adjacent to Plymouth Argyle's football stadium and the proposed Central Park Life Centre development.

8.2 The remit was:

- to review relevant contextual background material, for example, by:
 - study of previous reports on tourism and hotel development issues
 - analysis of interest shown in the city by developers/operators
 - understanding of City planning policies
 - discussion with local and regional tourism authorities/associations.
- to assess the suitability of the site, in particular issues of:
 - size
 - access
 - visibility
 - proximity to current and future demand generators, leading to a conclusion on
 - overall attractiveness for hotel development.
- to assess the current supply situation in Plymouth (where information was available), to include:
 - analysis of existing room supply by type of accommodation
 - comment on quality of current room supply
 - comment on potential supply gaps.
- to assess the likely demand situation in Plymouth (where information was available), to include:
 - analysis of room occupancy/revenue by type of accommodation
 - comment on room occupancy/revenue by type of accommodation
 - discussion with selected hotel developers/operators to ascertain levels of interest in the City
 - comment on potential demand gaps.
- to conclude on:
 - the likely potential for hotel development on the site
 - the next steps necessary to undertake detailed feasibility (if deemed appropriate by the study findings).

8.3 The approach adopted was:

- to review industry reports, local plans, and other documents
- to conduct face to face and telephone interviews with the City Council, Regional Development Agency and Regional Tourist Board (amongst others), and
- to make several site visits.

Context

Introduction

8.4 Tourism drives demand for hotels. In 2003 tourism contributed £74.2bn to the UK economy and supported 2.1m jobs (Source Hotel Britain 2005). In this section of our report we explore some of the recent trends in tourism and hotel development in the UK and conclude with their relevance to Plymouth.

Section 8 Hotel Development Appraisal, Central Park

- 8.5 We have used 2003 tourism data for two reasons:
- there has recently been a change in the survey methodology used for the collection of tourism statistics. Users have been warned by Star UK who compile the figures to treat 2004 data with extreme caution
 - secondly, Devon County Council tourism statistics for 2004 were not available at the time of writing so we used 2003 statistics for greater compatibility.

- 8.6 The hotel data is based on the 2004 survey results published in PKF's Hotel Britain 2005.

Tourism

International

- 8.7 Star UK's Tourism Trends 2003 points out that since 2000, visits by overseas visitors to the UK were down by some 2% on 2000 at 24.7 million, and although they spent £11.9 billion in 2003 this was some £1.0 billion lower than in 2000. The number of business trips remained unchanged at 7.0 million. Importantly, the number of visits from North America declined by 0.6 million to 4.0 million – this is important as North American visitors spend on average more than twice as much as residents from Europe do in a single trip to the UK.

- 8.8 In contrast, the appetite for overseas travel by UK residents continued apace driven by a strong pound, competition and emerging new airline destinations and pressure on prices. The suggestion that UK residents are finding value for money abroad was borne out by the fact that visits and spending by UK residents abroad at 61.4 million and £28.6 billion respectively were at record levels. The difference between spending by UK residents on visits abroad was higher than spending by overseas residents visiting the UK by some £16.7 billion.

Domestic

- 8.9 As far as the domestic scene was concerned in 2003, according to Star UK Residents made 151.0 million overnight trips within the UK spending more than £26.4 billion. The vast majority of this travel was for holiday, pleasure or leisure purposes. Some 14.7% of trips made for business purposes but these accounted for a disproportionate 23% of all spending. The continued decline of the long stay trip continued with the average number of nights at 3.25. Average spend per night was £54.00. Thirty one per cent of all trips took place in the months of July, August and September.

The decline in domestic tourism may be due to a number of reasons. PKF's Hotel Britain 2005 points to the domination of Britain's resorts by small hotel and guest houses, which are often of low quality and provide a visitor experience in direct contrast to the value for money UK residents perceive to be gained overseas.

West Country

- 8.10 The tourism sector is one of the South West's largest industries, and the South West continued to retain its leading destination position for domestic visitors. In 2003 it accounted for 15% of England's domestic tourist trips, 21% of nights and 17% of spending.

Section 8 Hotel Development Appraisal, Central Park

- 8.11 There were 22.8 million trips to the region in 2003 of which 6.4 million were to Devon according to Star UK. These tourists spent more than £4.3 billion in the region. The vast majority of this travel was for holiday, pleasure or leisure purposes. Some 7.5% of trips were made for business purposes and these accounted for 10% of all spending. Average spend per night was £46. Thirty seven per cent of all trips took place in the months of July, August and September

Hotels

- 8.12 The year 2000 is considered the peak of the recent hotel cycle, with the early years of the 21st Century difficult for the hotel sector, largely due to a series of geopolitical events across the world and nationally that have impacted tourism. These have included, amongst other things, the war in Iraq; terrorist attacks in Bali, Madrid, London and many other places, the Asian tsunami, the foot and mouth outbreak, and the effects on travel of 9/11 and SARS. In the UK, this has been coupled with weakness particularly in consumer spending. However, PKF's Hotel Britain 2005 (based on 2004 data) points to the fact that businesses have managed to survive by a mix of cost cutting and aggressive pricing.
- 8.13 Other key trends, as pointed out in TRI's HotStats 2004 Review, have been the very high level of merger and acquisition activity, disposals and rationalisations, strategic realignment and asset optimisations and inward investment from overseas. Another movement cited is the continuing tendency by UK hoteliers to separate ownership of hotels from their management along the lines of the commonly adopted American model. This trend is also identified in PKF's Hotel Britain 2005, where it is termed the 'asset light' strategy, aimed at raising capital to return to shareholders, fund expansion or simply improve financial performance. This means the market has seen the entry of financial institutions, particularly investment banks and institutional funds, plus private equity firms, all either competing with or working together with the global hotel operators.
- 8.14 The budget sector has also seen very considerable growth with the Premier Travel Inn group, the biggest budget operator in the UK over with 440+ hotels planning to open a further 20 annually.
- 8.15 Interestingly, the results of another more recent survey carried out in 2005 by TRI Hospitality Consulting bears out some of the trends mentioned above. Over 75% of their respondents believed that the split between management and brand and property would lead to an increased level of investment. Other issues influencing the industry will be divestment, and the further growth of the budget sector. As far as external factors were concerned, UK consumer spending levels were ranked as the most important issue affecting hotel demand. Interestingly, some 73% of respondents indicated that mixed-use hotel development (ie incorporating offices, retail or residential) would dominate in future. Levels of business confidence amongst hoteliers was high with nearly 80% saying that that they were pleased or very pleased about current business performance
- 8.16 In terms of hotel performance the PKF national survey detailed in Hotel Britain 2005 (2004 data) showed:
- Average occupancy in the UK at 73%,
 - Average London occupancy at 76.3%
 - Average regional occupancy at 71.4%

Section 8 Hotel Development Appraisal, Central Park

- Average achieved room rate in the UK at £77.62
- Average achieved room rate in London at £104.28
- Average achieved room rate in the regions at £64.06

- Average daily rooms yield in the UK at £56.64
- Average daily rooms yield in London at £79.54
- Average daily rooms yield in the regions at £45.73

Definitions

Room occupancy – the proportion of the rooms available that are occupied

Average achieved room rate – the total room revenue divided by the total rooms occupied during the year

Average daily room yield (also known as RevPar) – the total room revenue divided by the total available rooms.

Conclusion

- 8.17 The tourism market is becoming increasingly competitive. For a number of reasons overseas visits to the UK have been hit hard, and while there has been some recovery it is not enough to plug the growing gap between spending by overseas tourists here and that of UK residents going abroad. Average trip length continues to decrease. There is a belief that the domination of the hotel sector in much of the UK by low quality that offer poor value for money will exacerbate these trends. However, for towns and cities looking to maximise economic impact the drive to improve quality and encourage more business tourism represents a key opportunity – the spend achieved per trip being much higher than for holiday or leisure tourism.
- 8.18 In the last couple of years the hotel sector has seen a flurry of activity, with businesses cutting costs and pricing aggressively. Business confidence is now high, with industry figures looking for hotel development in mixed-use projects. All of this bodes well for quality hotel development in mixed use projects in Plymouth provided the site, supply and demand issues in the City present an attractive picture to the investor.

Site

- 8.19 Plymouth City Council developed Central Park in the 1920s. It is the largest of the Plymouth parks at some 94 hectares and it was designed by Mawson.
- 8.20 Various leisure buildings are situated within the park. These include Home Park, the football ground of Plymouth Argyle, and the ageing Mayflower Centre and Central Pools.
- 8.21 The Park has become somewhat run down over a number of years, and the leisure buildings it contains are unattractive and require significant investment to be fit for purpose.
- 8.22 The Council (together with a number of other partners) has taken the opportunity to address these issues and devise a vision for a revitalised Central Park which will incorporate a:
- new stand for Plymouth Argyle football club
 - new dry sports building
 - new wet sports building/ice arena
 - other park and infrastructure improvements.

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- 8.23 There is recognition that some commercial leisure could be appropriate for the site. A total area of 11,300 m² has been identified for this purpose. One proposal suggested in the Destination Central Park Development Brief prepared by Nathaniel Lichfield and Partners for the City Council has been to develop an hotel adjacent to the football club and other leisure facilities. A study carried out by AGL for the City Council which indicated that a mid range hotel offering approximately 70 rooms would be appropriate. (We have not been given a copy of this report and cannot therefore comment on its findings further).
- 8.24 We consider briefly below issues of location, access, visibility, and proximity to demand generators and conclude on the suitability of the site for hotel development.

Location, Access and Visibility

- 8.25 Central Park is almost diamond shaped. It is bounded to the northwest by the A386 Outland Road, and to the southwest by the A3064 Alma Road. Smaller residential roads surround the remainder of the park. To the south east lies Central Park Avenue and Ford Park Road and to the north and north east Venn Lane, Peverell Park Road, Barn Park, Inverdene, Trelawney Road and Gifford Place.
- 8.26 The size of the Park means that a hotel development could easily be accommodated within its overall footprint.
- 8.27 Access from the main routes is mentioned above is good, but it can be constrained by heavy traffic flow peak times.
- 8.28 The Park's height and gently undulating nature means that from various locations within it there are superb views over the City and towards the sea. However, the corollary is that it is not highly visible from outside. This could prove something of a disincentive to hotel developers and operators who are keen on a high degree of visibility to passing traffic.

Proximity to Demand Generators

- 8.29 The park is situated immediately to the north of Plymouth railway station and approximately 2.5 km north of the Hoe and the City centre retail, commercial and visitor attractions hub, so could be classed as a somewhat 'out of centre' location compared with other city centre sites.
- 8.30 Proximity to the enhanced facilities at the football club and the new leisure facilities will however help to generate footfall and potentially some hotel demand, and may prove attractive to developers/operators with a strong leisure offering.

Conclusion

- 8.31 Although Central Park and its associated leisure facilities are somewhat run down, it is an attractive location with superb views over the City. It is relatively easily accessible from main routes and the railway station, although there are traffic issues from time to time. However, the site proposed for the hotel lacks the immediate visibility that many hotel developers/operators seek and the distance from the City centre and the retail, commercial, and other tourism demand generators is a potential drawback. There may be potential though for accommodation development associated with the enhanced leisure facilities, particularly from those developers/operators with a strong leisure component to their facilities.

Supply

Introduction

- 8.32 We consider first the demand information that is produced by Devon County Council's Corporate Information Service regarding supply. The Council has been producing its annual Tourism Trends in Devon information for more than 30 years and it forms the basis of the Devon element of the information subsequently produced by South West Tourism. The latest figures available at the time of writing were for 2003. We then discuss other supply issues, including planning and other potential hotel development sites.

Supply

- 8.33 The table below shows bedspace supply by district.

Table 8.1 Supply by Type of Accommodation

	Serviced	Flats & Houses	Holiday Park Units	Touring Pitches	Total
East Devon	6,080	2,380	13,590	8,980	31,030
Exeter	2,660	90	0	0	2,750
Mid Devon	1,510	610	240	1,430	3,790
North Devon	9,800	4,840	11,670	17,860	44,170
Plymouth	4,700	300	0	1,010	6,010
South Hams	4,850	5,140	6,300	12,500	28,790
Teignbridge	3,850	1,670	8,070	12,930	26,520
Torridge	2,190	1,750	4,120	1,420	9,480
Torbay	21,160	6,970	12,470	7,810	48,410
West Devon	3,010	990	1,030	2,270	7,300
DEVON	59,810	24,740	57,490	66,210	208,250

Source: Devon County Council Corporate Information Services

- 8.34 As this table clearly demonstrates the vast majority of the bedspace supply in Plymouth is in the serviced accommodation sector, ie hotels, guesthouses and B&Bs.
- 8.35 In order to gain an indication of the type and quality of those bedspaces we spoke to Plymouth City Council's tourism and planning teams who gave us information regarding current and future hotel supply shown in Table 8.2 below. It should be noted that we have included hotels only, that we have not undertaken detailed hotel supply audit, nor analysis of the unregistered hotel sector, and that this list is meant to be indicative rather than exhaustive.

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Table 8.2 Plymouth City Area Hotel Supply by Type

Hotel	Star Rating (If applicable)	No of Rooms
<i>Existing</i>		
Astor	3	62
Boringdon Hall		41
Copthorne	4	135
Drake	2	35
Duke of Cornwall	3	72
Elfordleigh	3	34
Grosvenor Park	1	16
Ibis	2	52
Imperial	2	21
Invicta	3	23
Innkeeper's Lodge		50
New Continental	3	99
Novotel	3	100
Holiday Inn (formerly Moat House)		211
Premier Travel Sutton Harbour		107
Premier Travel Inn Lockyers Quay		62
Premier Travel Inn Plymouth East		41
Quality Inn	3	112
Travel Lodge		96
Victoria Court	2	13
<i>Under Construction</i>		
Future Inns	3	143
<i>Planning Permission Granted</i>		
Exeter St Jury's Inn	3	229
Foot Anstey Building	5	180
George - Hotel Extension (Note: building currently closed)		40
<i>Proposal</i>		
Boutique Hotel Plympton		30

Source: Plymouth City Council/Planning/Tourism/Select Plymouth/Visit Plymouth

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8.36 In considering the supply snapshot and in discussions with consultees it became clear that the hotel stock in Plymouth has changed considerably over the last few years. The key factors have been:

- closure of some smaller owner operated hotels
- closure of the 77 room Grand Hotel (damaged by fire)
- proliferation of budget sector/limited service hotels in the City Centre, Derriford and Marsh Mills areas in particular
- continuing supply emphasis at budget/limited service end of market and lack of high quality 4/5 star equivalent full service hotel development.

Future Supply

8.37 We spoke to the Plymouth City Council, the Regional Development Agency, South West Tourism and Devon County Council about future tourism and hotel planning. A list of documents reviewed in this context is set out in Appendix 1.

8.38 Of particular relevance are the following regional and City documents.

- **Regional Economic Draft Strategy for the South West of England 2006-2015**. This document recognises tourism as one of eight priority sectors for the RDA.
- **Towards 2015 Shaping Tomorrow's Tourism** is the Regional Development Agency and Tourism South West's strategy. It focuses on the need to drive up quality, deliver sustainable tourism, create better destination management arrangements, command premium prices and generate economic benefit.
- The **Local Development Framework Core Strategy Preferred Options July 2005**, which also mentions the need for 'focused growth' in 6 key sectors, amongst them tourism and leisure.

8.39 A number of sites suitable for hotel development have been identified in City Council planning documents and by the Regional Development Agency. These include the following:

- the bus station
- China House/ Sutton Harbour
- Millbay
- Mount Wise
- Royal William Yard
- Central Park.

8.40 However, for a variety of historical reasons, at the Plymouth City level there is no tourism strategy or accommodation strategy in place that indicates the priorities or the type of hotel development being sought. Planners tend to react to direct approaches from developers/operators without the benefit of citywide guidance.

Conclusion

8.41 The City has seen a very significant expansion of its hotel supply over the last few years, particularly in the budget and limited service sectors.

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- 8.42 To a large degree this has been in response to approaches by developers/operators, rather than as part of a strategic plan drawn up by the Council.
- 8.43 Our concern is that this lack of a coordinated strategic approach means that the City is probably not maximising its hotel development potential and the ensuing economic benefit possibilities. Most of those we spoke to about the supply situation acknowledged the need for a more strategic approach to tourism and hotel development within the City. Indeed, a Best Value study of the Plymouth Marketing Bureau highlighted the need for such studies to be undertaken.
- 8.44 There may well be a supply gap for the suggested 70 room mid range hotel at Central Park. However, we urge the City to consider this opportunity alongside that of other potential sites that have been identified in order to and focus attention on the most appropriate location for development.

Demand

- 8.45 We discuss below tourism demand in Plymouth based on statistics compiled by Devon County Council in terms of nights, spending, seasonality and occupancy. This data relates to 2003 as we mentioned earlier.
- 8.46 We also consider the results of specific Plymouth hotel data extracted at our request by TRI Hospitality Consulting from their HotStats branded hotel survey. This looks in further detail at issues of occupancy, seasonality and room revenues. It is more up to date than the Devon County Council information in that it covers the year to August 2005.
- 8.47 The table to follow shows the number of tourist nights by district.

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Table 8.3 Tourist Nights by District (Thousands)

	Serviced	Flats & Houses	Holiday Park Units	Touring Pitches	Private Household	Total	% change 2002 - 2003	% of Devon
East Devon	933.5	406.9	1,711.2	585.5	1,174.8	4,811.9	-2.5	14.5
Exeter	545.4	18.2	0.0	0.0	182.0	745.6	6.7	2.2
Mid Devon	180.8	77.2	31.1	128.6	134.9	552.6	10.7	1.7
North Devon	1,362.3	686.1	1,600.5	1,292.8	1,596.2	6,537.9	0.1	19.7
Plymouth	732.1	67.1	0.0	84.0	285.3	1,168.5	-4.1	3.5
South Hams	675.1	719.4	886.1	955.0	1,045.1	4,280.7	0.1	12.9
Teignbridge	516.3	195.1	1,200.1	923.6	915.7	3,750.8	2.0	11.3
Torbay	3,323.4	850.6	1,868.0	359.8	2,067.8	8,469.6	-0.3	25.5
Torrige	248.5	359.5	622.9	87.9	426.0	1,744.8	1.8	5.3
West Devon	461.4	124.5	107.6	150.1	272.5	1,116.1	0.8	3.4
Total	8,978.8	3,504.6	8,027.5	4,567.3	8,100.3	33,178.5	0.1	
% change 2002 - 2003	-0.7	2.8	-1.8	3.0	0.1	0.1		

Source: Devon County Council Corporate Information Services

8.48 This table demonstrates that while Plymouth attracts only a very small percentage of the total Devon tourist nights, the vast majority of those nights are spent in serviced accommodation, ie hotels, guesthouses and B&Bs.

8.49 We consider below the typical spending by tourists to Devon.

Table 8.4 Tourist Spending in Devon

Accommodation Type	Annual Tourist Nights	Daily Spending per head (£)	Total Annual Spending (£ m)	Annual Income to Devon (£ m)
Serviced	8,978,800	51.69	464.13	230.67
Flats & House	3,504,600	30.48	106.81	41.23
Holiday Park units	8,027,500	30.41	244.15	63.21
Touring Pitches	4,567,300	18.98	86.70	18.21
Private Houses	8,100,300	26.83	217.36	61.64
Total	33,178,500	-	1119.15	414.96

Source: Devon County Council Corporate Information Services

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8.50 The table clearly demonstrates that daily spending by tourists is highest when they are staying in serviced accommodation. Interesting, the figures also demonstrate that daily spending per head is lower than that for tourists in the UK as a whole, and in the South West. So although there is volume tourism, spend per head is not as high as elsewhere in the UK.

8.51 We also consider the issue of seasonality in the serviced accommodation sector.

Table 8.5 Serviced Accommodation Occupancy Rates By District/Month

	% Nov	% Dec	% Jan	% Feb	% Mar	% Apr	% May	% Jun	% Jul	% Aug	% Sep	% Oct
East Devon	33.5	29.5	23.2	30.7	36.5	44.9	49.2	54.2	60.3	70.0	59.9	48.9
Exeter	44.3	43.5	38.5	46.7	43.7	47.1	55.4	58.8	67.2	70.4	64.2	54.7
Mid Devon	24.4	21.4	21.4	23.5	29.5	32.5	33.6	40.3	48.6	52.6	36.5	32.5
North Devon	24.4	27.8	19.8	27.4	28.6	40.6	43.0	47.6	57.4	74.3	52.5	39.9
Plymouth	35.7	28.2	22.5	29.3	33.0	43.7	49.3	51.7	57.3	63.2	50.6	42.7
South Hams	23.2	22.4	18.8	26.0	30.6	43.2	43.5	47.3	55.3	71.4	51.8	40.2
Teignbridge	24.8	25.9	20.1	26.9	28.9	38.4	41.0	48.8	55.6	61.4	46.7	34.8
Torbay	38.5	32.0	21.5	32.4	34.5	40.9	46.4	53.0	61.4	75.5	56.5	43.2
Torrige	24.2	26.0	20.6	21.6	24.1	32.3	33.2	39.1	40.5	51.3	43.3	32.0
West Devon	33.0	27.2	26.4	33.5	33.6	46.9	49.2	46.8	57.9	64.6	51.9	45.0
Devon	32.6	29.4	22.4	30.5	32.8	41.5	45.4	50.5	58.4	70.3	53.8	42.3

Source: Devon County Council Corporate Information Services

8.52 This table shows that Devon's tourism profile in general is highly seasonal. As far as Plymouth's seasonality is concerned, it is still pronounced but not as much as in other Devon districts. The second point from the table is the low level of occupancy shown. (We have cited elsewhere the PKF Hotel Britain 2005 survey showing regional room occupancy rates (albeit in 2004) at 71.4%). We have discussed this with the Council and it is due to the fact that while most industry surveys calculate on the basis of room rather than bedspace occupancy, the Devon statistics are compiled on the latter basis. Another factor that may depress occupancy levels is the proliferation in Plymouth of smaller hotels, guesthouses and B&Bs where annual occupancy tends to be lower than in branded premises.

8.53 This is borne out when considering serviced accommodation occupancy by size of establishment.

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Table 8.6 Serviced Accommodation Occupancy by Size of Establishment

	% Nov	% Dec	% Jan	% Feb	% Mar	% Apr	% May	% Jun	% Jul	% Aug	% Sep	% Oct
1 – 6 Bedspaces	13.7	11.7	9.5	13.0	14.9	24.4	28.1	31.4	38.3	52.1	32.5	22.0
7 – 20 Bedspaces	20.8	18.7	14.5	20.5	23.0	31.8	37.4	44.1	54.0	64.6	44.1	29.9
21 – 50 Bedspaces	25.2	23.1	17.9	23.4	25.3	36.6	40.4	48.0	56.0	69.7	50.2	37.8
51 – 100 Bedspaces	46.3	41.0	28.3	38.2	40.4	50.5	57.3	59.6	66.9	73.6	67.0	49.0
101 + Bedspaces	47.8	42.6	33.9	46.3	50.6	56.4	57.6	61.1	68.9	81.8	66.9	61.3
Devon	32.6	29.4	22.4	30.5	32.8	41.5	45.4	50.5	58.4	70.3	53.8	42.3

Source: Devon County Council Corporate Information Services

- 8.54 This table demonstrates quite clearly that there is less pronounced seasonality, coupled with higher occupancies, in the larger establishments.
- 8.55 The demand information produced by the County is useful, but we were concerned at the particularly low occupancies being quoted, partly due to the method of calculation as we mention above. We therefore commissioned other information drawn from TRI Hospitality Consulting's UK hotel HotStats survey. The key findings from that survey are shown below. It should be pointed out that the survey covers branded hotels and that the sample size is small. Caution is therefore advised. Nevertheless, the data is more up to date and also includes room rate information.

Table 8.7 Plymouth Hotel Key Statistics 12 months to August 2005

Room Occupancy	77.5%
Average Achieved Room Rate	£54.26
Room Revenue Yield (RevPar)	£42.04

Source: TRI Hospitality Consulting HotStats Report Plymouth Sample

- 8.56 What this shows is that occupancy levels (at least in the branded sector) are broadly comparable with elsewhere in the UK, although AAAR and RevPar are lower. AAAR is lower by some £10 than that achieved in other regions of the UK the preceding year – as evidenced by the PKF survey quoted earlier. This confirms anecdotal evidence that hotels in Plymouth struggle to achieve the same room rates as their regional competitors.
- 8.57 This survey also shows the business mix of the Plymouth sample hotels.

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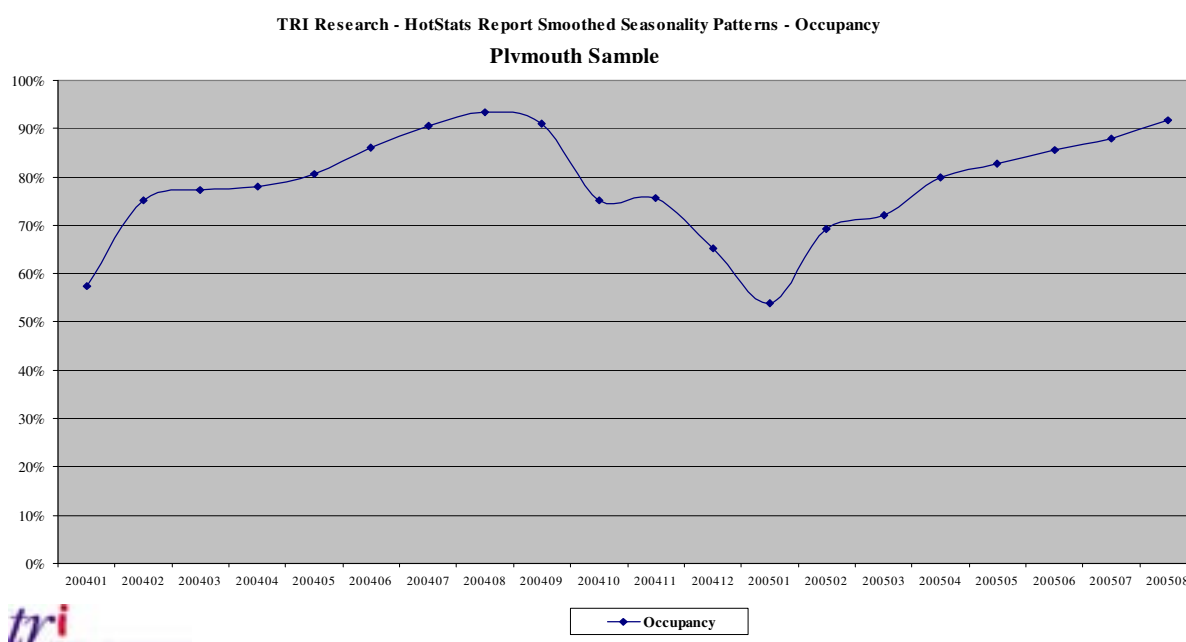
Table 8.8 Plymouth Hotel Business Mix 12 months to August 2005

Volume Mix	%
Rack (ie advertised standard rate)	0.5
Corporate	37.6
Conference	5.0
Leisure	21.1
Tours/Groups	14.1
Other	21.7

Source: TRI Hospitality Consulting HotStats Report Plymouth Sample

- 8.58 Of particular note here is the relatively low level of conference business and the dependence on leisure, tour and groups activity.
- 8.59 The TRI survey also indicates a significant seasonal pattern as shown in the Figure below.

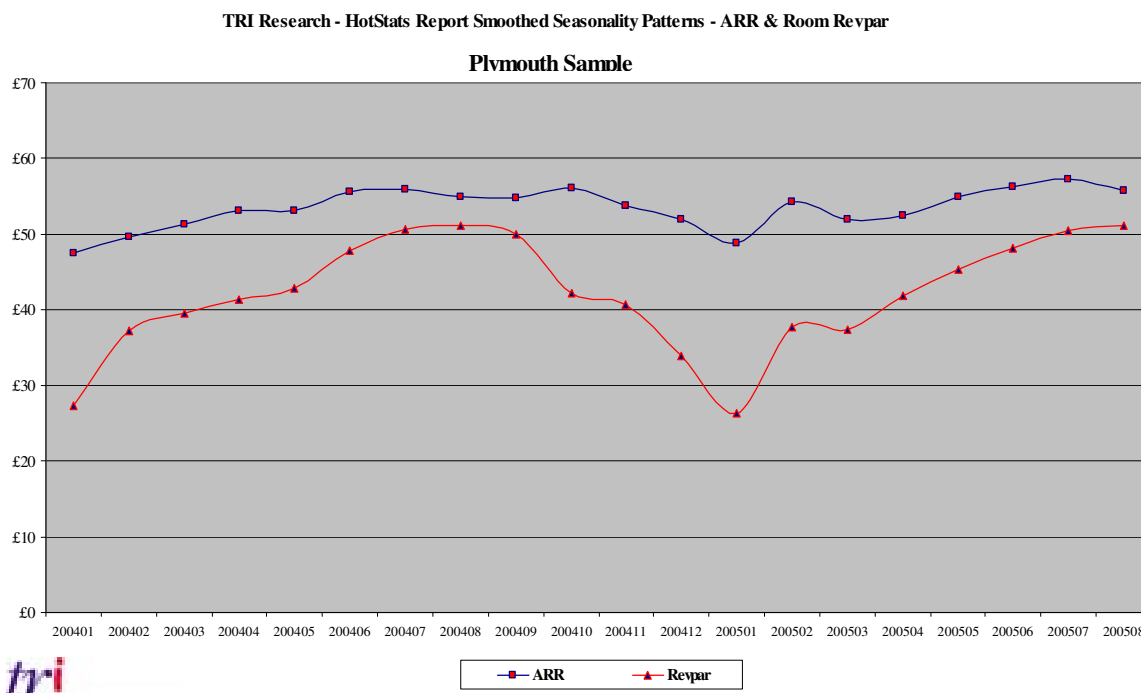
Figure 8.9 Room Occupancy by month to August 2005



Source: TRI Hospitality Consulting HotStats Report Plymouth Sample

- 8.60 Seasonality also impacts on revenue as demonstrated by the Figure 5.2.2 overleaf.

Figure 8.10 Average Achieved Room Rate and Rev Par by month to August 2005



Source: TRI Hospitality Consulting HotStats Report Plymouth Sample

- 8.61 The implication here is that if seasonality could be smoothed out, the room revenues would improve and would contribute to the attractiveness of Plymouth as a place to invest at the more up market levels.

Future Demand

- 8.62 In terms of future demand we looked at the findings of the recent visitor survey carried out in the City (Source City Council Tourism) and consulted a range of organisations and individuals during the course of our study. A list of consultees is shown in Appendix 2.

- 8.63 Remarkably consistent views emerged. They can be summarised as follows:

- From the face to face survey of visitors to Plymouth between June and September 2004:
 - there is a high proportion of domestic leisure day visitors compared to other towns/cities
 - overall visitor spend is lower on average than that for other large towns and cities
 - staying visitor spend is highest in hotels (average of £65.85 per person per night)
 - there are fewer than half the number of business/conference visitors than other large towns and cities

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- opinions of accommodation range from 'average to good' for value for money and 'good to very good' for quality of service, but are still slightly lower than the average ratings for large towns/cities and all destinations
- opinions of attractions and places to visit are 'good' but generally lower on average than the scores for large towns/cities and all destinations
- opinions of places to eat and drink are 'average to good' but lower on average than the scores for other large towns and cities and all destinations.
- From discussions with a wide range of organisations, individuals and interested parties:
 - general agreement that the developments at Central Park would improve the sport and leisure facilities in the City and support for the overall vision
 - agreement that major sports and leisure facilities should be co-located (where possible)
 - concern about the level of budget hotel development that had been allowed, and worry expressed that if this trend was allowed to continue that it might preclude more up market development
 - some feeling that the budget hotel development had at least helped cater better for the family market
 - perception that the City Council should devise a tourism and hotel strategy to inform future planning decisions and to target appropriate development
 - consensus that there was a lack of conference facilities in the City to meet expressed demand, and that this should be considered by the Council, along with efforts to attract a full service hotel to complement any dedicated conference centre
 - a recognition that there might be an opportunity to reconfigure the Pavilions, taking out the sports and leisure facilities, retaining a focus on events/exhibitions and conferences and creating an 'iconic' building in the process
 - views that any change to the Pavilions configuration should not result in a loss of leisure facilities in the City
 - a feeling from the hotel sector of the need to focus on the growth of business tourism to the City for several reasons: the higher average spend, the potential to help even out seasonality, the link with increased conference business, and the ripple effects on, for example, other hospitality businesses in the City
 - a concern that unless concerted action were taken to help hotel businesses push up average achieved room rates to a level similar to that of other regions that the much desired more up market hotel development simply might not happen

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- a wish to encourage other hotels to follow the former Moat House (now rebranded Holiday Inn) example and invest to improve the overall quality of the room supply in the City
- the need to institute a major events strategy to attract more visitors and help smooth out seasonality, and market existing events more widely
- support for the development of a vision for the future of Plymouth tourism and hotel development and 'rebranding' of the City (linking in to the Mackay strategy as appropriate)
- the need to establish more effective partnerships with the RDA and other appropriate bodies
- support for the relaunch of the Plymouth Marketing Bureau (albeit in a new guise as appropriate)
- recognition that hotel development at Central Park would be unlikely to help fund capital gap to any significant degree, and that leisure development would have to be guaranteed in order to attract developer/operator interest
- the possibility of capitalising on expressed interest in development by hotel operators with strong health and fitness offer, which may be appropriate for Central Park (depending of course on any health & fitness offer in the revamped Home Park Stadium).

Conclusion

- 8.64 Tourism demand remains strong in the West Country and in Devon. However, as the statistics show, typically levels of business tourism are lower than in other regions and levels of individual spending are lower. Demand is highly seasonal. Although Plymouth does not suffer as much from this as other areas in Devon, the pattern is still marked. However, the larger the establishment, the less likely it is to be affected by the seasonal pattern. The information produced by Devon County Council does not include detail on room revenues. We therefore commissioned additional information from the TRI Hotstats survey. This demonstrated occupancy levels in line with those in other UK regions, but with lower average room rates than those achieved in similar locations elsewhere. The mix of business revealed low levels of conference activity and domination by leisure, tour and group activity. This data also showed a strong seasonal pattern of occupancy, with consequent impact on room revenues.
- 8.65 In terms of the future picture, we considered the issues raised by the survey of visitors to Plymouth that took place in summer 2004. This confirmed the lower than average visitor spend, the low level of conference business and several other areas where the Plymouth scores were lower than those of comparable destinations.
- 8.66 We also consulted a range of interested parties whose views were remarkably consistent. They were in general very supportive of the Central Park vision. There was some debate about the suitability of the site for hotel development, although it was suggested that those with a strong leisure offer might be interested as long as the Life Centre development was guaranteed to happen. There was a strong feeling that further budget/limited service hotel development could be detrimental to the City, that a strategy for the City's tourism and accommodation should be put into place,

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that the Central Park opportunity should be considered in the light of this overall strategy, and that opportunities to try to attract more up market developments should be pursued, particularly if they could help lead to further development of business tourism and events, higher average room rates and a smoothing of seasonality patterns.

- 8.67 We agree with these comments and suggest that the City considers these issues in tandem with potential hotel development on the Central Park site.

Potential

- 8.68 We conclude here on the potential for hotel development at Central Park and also suggest next steps in the process.
- 8.69 We believe that there may well be potential for hotel development in Central Park. However, during the consultation process it became clear to us that if the City is to get the most appropriate hotel development either at Central Park or elsewhere, it needs to take a more strategic view of the opportunities. There are a number of other sites available, and there may also be opportunities to combine hotel development with other initiatives that may have greater overall economic impact.
- 8.70 That is not to say that hotel development of some sort (particularly if able to be related to the sport and leisure focus on site) could not be achieved. However, it is unlikely to bring a capital receipt which would plug the capital funding gap, and it could preclude other opportunities elsewhere.

Section 9 Conclusions and Recommendations

- 9.1 The vision for the Central Park Life Centre is ‘to create an outstanding venue of regional significance for sport, recreation and leisure, and to strengthen Central Park’s position as the city’s premier park for all residents and visitors to enjoy.’ There is a will and commitment at a senior officer and political level to deliver the vision. The concept is embraced and fully supported by all the project partners.
- 9.2 The proposed development has the opportunity to deliver and support a wide range of corporate objectives in relation to health improvement, community access, increasing participation, service improvement, and business investment. There is limited opportunity to achieve all these with the existing service offering. Central Park is an opportunity to tackle many issues in a coordinated and comprehensive way.
- 9.3 Central Park has the perception of being run down and to a large extent the state of the leisure buildings is symptomatic of this perception. The requirement to enhance these facilities is not only a strategic need but practically an operational necessity if the Authority wishes to continue to deliver leisure and recreation services from both Central Park Pools and the Mayflower Centre. Urgent investment potentially up to £8m may be required just to maintain services, with no enhancement or improvement to the community.
- 9.4 There is a range of differing management arrangements in place delivering public leisure provision in Plymouth, that will be soon added to further with the establishment of a new Trust at Brickfields. As a result the strategic direction and the delivery of corporate objectives is unachievable. A rationalising process is required to improve direction, co-ordination, and efficiencies through economies of scale.
- 9.5 A number of reports and research projects have substantiated the opportunity for a major/regional development at Central Park including the detailed aborted SELF Bid produced by KKP in 2002.
- 9.6 The strategic context and policy review has identified a general and specific need for the development of enhanced facilities at Central Park. Nationally there is a drive for improved access to services to deliver the health and well being agenda, youth provision, wider access and increased participation whilst also providing facilities to meet the needs of sport, and sporting organisations.
- 9.7 The Central Park location for leisure has been established through the Local Plan and the LDF, and offers good opportunities to further enhance provision for Plymouth. It can be seen as a model for achieving the multi-sport hub concept advocated by Sport England, South West. This will enhance the opportunity of attracting grant aid from Sport England towards the project.
- 9.8 The South West Economic Development Strategy recognised the need to enhance the regions physical and cultural capital to provide major benefits to tourism and the wider economy.
- 9.9 Locally, several key strategy documents recognise the development as an opportunity to meet regional and local need, especially in terms of the wider sport and recreation offering, in particular with its partners at the University of Plymouth and Marjon. This is supported in the Sports Plan 2020 and the Facilities Strategy which identifies a unmet demand for sports halls and swimming pools in Plymouth, and identifies the need for a major leisure development at Central Park, that will contribute significantly to a range of health and sports development outcomes.

Section 9 Conclusions and Recommendations

- 9.10 At a strategic level, the delivery of the Life Centre in Central Park will contribute to a number of agendas at a national, regional and local level. This 'strategic fit' will support the pursuit of additional specific grant aid and other funding opportunities.
- 9.11 The consultation process provides a clear recommendation to pursue the development at Central Park. All partners for varying reasons will benefit from the development and can see the strategic and economic benefits for the region, the city and the local community.
- 9.12 Additional funding opportunities were explored with the various partners and other than the existing £3m promised from the University of Plymouth, no other partner funding was identified at this time.
- 9.13 There is no doubt a demand for this development that was supported by the Sport England Lottery Fund (SELF) submission that concluded "the survey demonstrates the importance of Central Park to residents of Plymouth and the role the Council plays in delivering sport and leisure provision. Central Park was used by a significantly higher proportion of respondents than any other leisure facility in Plymouth and the results identify the strong support for new/enhanced facilities and indicate there would be a demand for, and frequent usage of facilities."
- 9.14 The demographic profile of the area demonstrates that the location is suitable to meet local and regional hinterland needs particularly family user group. This group is also very aware of the need to maintain health and well being through sports participation and active lifestyles.
- 9.15 The demographic and leisure behaviour data further supports the ongoing delivery of leisure provision at Central Park without raising too many expectations of a significant untapped market. Better quality provision, good marketing and additional provision should provide a great opportunity to raise the profile, awareness, participation and economic benefits of a new Central Park Leisure Facility. The health and fitness market analysis identifies a lack of high quality, affordable public sector managed supply to compete with and tempt members away from private clubs. We believe that a new 150-station facility at the CPLC can meet a gap in the existing market supply.
- 9.16 The development options produced a mix of facilities that were expertly costed. The costs of all facilities, as at 4th quarter 2007 is £37.05m. Without the Ice Arena the cost is reduced to £27.46m.
- 9.17 The bottom-line revenue position for the Central Park Life Centre with all facilities included shows an annual net operational deficit requirement of £91,000. This demonstrates a significant improvement on the operational efficiency of the existing facilities and also has integrated lifecycle costs built into the projections to ensure regular investment and ensure the facility is maintained to a quality standard year on year. The business plan modelling is based on delivery through a Trust.
- 9.18 The continuation of in-house delivery, we believe is not an option. A strategic review is urgently required to provide a clear direction and identify cost of the delivery vehicle for all the Authorities leisure facilities.
- 9.19 Whilst there is only a relatively small amount of guaranteed capital funding we have identified a number of options that could provide a major capital contribution to help deliver this project. These include capital receipts for residential development,

Section 9 Conclusions and Recommendations

enabling development, cinema (multiplex) development, hotel development, A3 retail units, revenue savings and the utilising of Prudential Borrowing.

- 9.20 The hotel opportunity at Central park and detailed market analysis concluded that there was an opportunity, but it could be detrimental to the City. What is required is a strategy for the City's tourism and accommodation. The Central Park opportunity should be considered in the light of this overall strategy, and opportunities to try to attract more up market developments should be pursued, particularly if they could help lead to further development of business tourism and events, higher average room rates and a smoothing of seasonal patterns.
- 9.21 The overall CPLC affordability analysis in Section 7 shows that by reducing the cost of delivering the existing service through efficiencies and a different service delivery vehicle, there is a great opportunity to reduce the capital liability on the project to a much more affordable level. We have provided a range of options to show the differential annual cost and capital requirement. Reduced provision or phasing would support the deliverability, affordability and long-term sustainability of the project. This is dependent on a detailed strategic delivery plan being in place to address all the service delivery issues.
- 9.22 The procurement structure adopted by Plymouth City Council must be one that the Authority is comfortable with and which ensures that its social and financial objectives are achieved. If a NPDO route was chosen, Capita Symonds would recommend, in general terms, the most appropriate option for the new service would be partnering with an existing Trust Operator. This could be delivered following a procurement process.

Recommendations and Next Steps

- 9.23 We recommend the following next steps:

Central Park Strategy

- As suggested in other sections we suggest commission and production of a detailed business case incorporating design, masterplan, development brief, grant application, and marketing brief featuring the Central Park proposals. As part of this activity, a more detailed hotel and commercial leisure feasibility could be produced, resulting in detailed financial projections and negotiations with developers/operators.

Leisure Services Strategy

- A review is required to establish the preferred citywide leisure facilities service delivery vehicle. There are three separate organisations currently and soon to be four with Brickfields. A rationalisation is required to provide a more effective, efficient and sustainable option that can deliver the required local, regional and national targets.

Section 9 Conclusions and Recommendations

Plymouth City Wide Strategy

- The City could commission a Tourism Strategy. Typically this would include:
 - Determination of strategy objectives (to be refined later in the process)
 - Understanding of the strategic context
 - Survey of all relevant elements nationally, regionally and locally (quantitative and qualitative data, tourism markets and trends demand, supply and competitive destinations, attractions etc)
 - Analysis and synthesis of strengths, weaknesses opportunities and threats,
 - Formulation of policy and plan based on the analysis and involving stakeholders throughout
 - Formulation of other recommendations including, for example, delivery organisations
 - Set up of implementation plan and monitoring processes.

- In addition, a Plymouth specific accommodation audit and strategy could be carried out concurrently with the studies mentioned above. Key elements would comprise the following:
 - Context review
 - Supply audit and analysis
 - Quality review
 - Tariff review
 - Demand analysis
 - Consultation review
 - Conclusions and recommendations.

9.24 The aim of these studies would be to inform and guide tourism development in general and hotel development in particular in the City in order to achieve the best possible level of overall economic benefit from Central Park and other opportunities.