

Cheltenham Borough Council – Project Assessment Tool
Section 1: Business case for capital projects

Name of proposal	Version and date last assessed	Lead Officer
Improvements to Leisure-at-Cheltenham	v.1.1	Richard Gibson
Brief description of project for use in public documents		
<p>The proposed improvements are as follows:</p> <ul style="list-style-type: none"> • Convert two existing squash courts into new studios so enabling an increase in the number of class and activity programmes. • Upgrade the existing dry-side changing spaces to reflect a quality of offer that customers expect and that competes well with the local market. • The provision of a new sauna and steam room suite adjacent to the new changing rooms, strengthening the link with health and fitness and replacing the outdated existing health suite facilities. • Extend the existing fitness suite on the ground floor into the current dance studio enabling increased capacity to meet demand and enable improved functional training space and health support related activities. • Conversion of the existing health suite into an aquatics play space, developing and extending the aquatics opportunities for families with young children and also the commercial hires for children's birthday parties <p>The improvement scheme will deliver much needed investment into Leisure-at-Cheltenham to keep it competitive and to enable a growth in income and footfall. Although gym equipment was refurbished in 2013, there has been no significant investment into the fabric of the building since the post-flood refurbishment in 2007.</p> <p>The management arrangement between the Trust and the Council provide for a year on year reduction in funding by the Council. This project will help to strengthen the financial viability and performance of Leisure-at Cheltenham creating a surplus for reinvestment and development by the Trust.</p> <p>The council plans to support this request via a loan of £1.5m which will be repaid by the Trust at an interest rate of 3% per annum.</p>		

What is the Timescale of this project (critical milestones)?

The estimated timeframe of the project is evidenced in table 7 below

	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Jan 18
Phase 1 Business Case												
Phase 1 PID												
TCT Exec Sign Off												
TCT Sign Off of Phase 1												
CBC S151 Officer Sign Off												
CBC Exec Board Sign Off												
CBC Cabinet Sign Off												
CBC Council Sign Off												
TCT Budget Sign Off												
CBC Budget Sign Off												
Loan Approval												
Procure & Appt Dev Partner												
Agree Project Cost & timeframe												
Project Initiation												
Consultation & Pre Planning												
Planning												
Build (20 weeks) Open 01/18												
Convert Squash Courts												
Convert Changing Rooms												
Convert Fitness Suite												

What are the alternatives options to delivering the project (include doing nothing)

DO NOTHING: Continue to maintain the existing facility to ensure it is fit for purpose within resources, in the knowledge that Leisure – at will not be able to meet the demand for business and customer expectations, with reducing appeal and subsequent declining retention and reputation with increased wear and tear on kit and facilities. Negative impact upon economic viability of the business and the Trust. This option has therefore been dismissed.

COMMERCIAL FUNDING: The Cheltenham Trust fully fund capital investment programme without contribution by CBC through seeking a commercial loan. Although on the face of it, this would minimise the risk to the Council in that the Trust business activities would fund the repayments, the Council would need to act as a guarantor for the loan. That would mean assigning an equivalent sum in our reserves to fund this in case the Trust failed. In addition, the cost of the loan would have been higher at an estimated 5%. On advice from the s.151 officer, this option has been dismissed.

CBC FACILITATED LOAN: The council secures funding for the investment on the Trust behalf. This will be a rate of 3%. The loan repayments will be met through growth in Trust business. The relationship between Trust / Council will require clarification and ongoing issues of security of tenure, asset ownership. Officers and members have expressed a preference for this model and a joint approach to delivering the project.

What will be the impact of the project on other parts of the CBC; property services, legal, procurement, finance etc?

It is proposed to utilise a development partner, a well tried and established route that at cost removes any direct pressure on capacities within the Trust. This can be secured through existing national frameworks. The development partner owns and covers the risk of delay and cost of exceeding agreed

project costs.

The development would be overseen by a joint Trust CBC project board. The project management of the delivery would be through a Development partner who would be contracted to deliver on time and within budget a turn-key solution. This is a well-used process with robust evidence of delivery to support the approach.

Will the proposal involve any longer term commitments from the council particularly in terms of long-term financial and staffing commitments?

Yes, the project involves a 10 year loan to the Trust which will be re-paid at an interest rate of 3%.

The asset will remain in control of the Council and the Council would benefit ultimately in the improvement of its buildings.

Staffing costs for operating the facility will sit with The Cheltenham Trust and have been built into future calculations

There are no long term revenue commitments for the council although replacement of equipment will continue to be planned at 5 year intervals. Though the new equipment will come with 5 year parts and labour service agreement.

How will the views, opinions and concerns of the community and partners be considered in planning the proposal?

Customer comment, stakeholder engagement and operational concerns have in part motivated this project. Further consultation will be included within the delivery of the project. The project will contribute significantly to improved service delivery and meeting customer needs, as well as ensuring the offer at Leisure-at remains fresh and at the top end of Cheltenham's competitive leisure market.

Consultation is planned as part of planning processes to assure any concerns with regard to the built and heritage environment and security.

Further to this, the Stakeholder Event on 24th November 2014 held by TCT highlighted the need to be competitive in growing market place; the provision of improved facilities also supports use of those individuals from deprived areas or targeted communities eg special needs.

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Section 2: Financial details of proposal (at current pay and price levels)

These figures are drafted as viewed from the Trust

Preliminary costs

Architect fees	£30,188
Mechanical and electrical advice	£17,250
WFC Construction	£11,500
Local Authority Fees (Building Control, signage etc)	£ 4,025
Structural Engineer Fees	£ 9,775
Hippo	£ 3,500
ALS / SPC	£ 5,000
Total	£81,238

Capital costs

Preliminary costs	81000.00
Squash courts to Studio's	135000
Extend gym	63000
Refurb dry change & sauna / steam	129000
First Floor corridors	16000
Health suite to splash pad	63000
M&E	243000
build prelims	17000
Build Total	666000
Fitness Equipment	216000
Splash Pad Equipment costs	341000
equipment total	557000
Project Management & Delivery	90000
Contingency costs	106000
Total	1500000.00

Loan Repayments and return on investment calculation:

Principal	£1,500,000				
Rate	3.00%	Fixed			
Years	10				
Half years	20				
semi-annual					
annuity payment	£87,368.60		Annual repayment	£174,737.21	

Due Date	Opening balance	annuity payment	interest paid	principal repaid	closing balance
					£1,500,000
1	£1,500,000.00	£87,368.60	£22,500.00	£64,868.60	£1,435,131.40
2	£1,435,131.40	£87,368.60	£21,526.97	£65,841.63	£1,369,289.76
3	£1,369,289.76	£87,368.60	£20,539.35	£66,829.26	£1,302,460.51
4	£1,302,460.51	£87,368.60	£19,536.91	£67,831.70	£1,234,628.81
5	£1,234,628.81	£87,368.60	£18,519.43	£68,849.17	£1,165,779.64
6	£1,165,779.64	£87,368.60	£17,486.69	£69,881.91	£1,095,897.73
7	£1,095,897.73	£87,368.60	£16,438.47	£70,930.14	£1,024,967.59
8	£1,024,967.59	£87,368.60	£15,374.51	£71,994.09	£952,973.50
9	£952,973.50	£87,368.60	£14,294.60	£73,074.00	£879,899.50
10	£879,899.50	£87,368.60	£13,198.49	£74,170.11	£805,729.39
11	£805,729.39	£87,368.60	£12,085.94	£75,282.66	£730,446.73
12	£730,446.73	£87,368.60	£10,956.70	£76,411.90	£654,034.82
13	£654,034.82	£87,368.60	£9,810.52	£77,558.08	£576,476.74
14	£576,476.74	£87,368.60	£8,647.15	£78,721.45	£497,755.29
15	£497,755.29	£87,368.60	£7,466.33	£79,902.27	£417,853.01
16	£417,853.01	£87,368.60	£6,267.80	£81,100.81	£336,752.21
17	£336,752.21	£87,368.60	£5,051.28	£82,317.32	£254,434.88
18	£254,434.88	£87,368.60	£3,816.52	£83,552.08	£170,882.80
19	£170,882.80	£87,368.60	£2,563.24	£84,805.36	£86,077.44
20	£86,077.44	£87,368.60	£1,291.16	£86,077.44	£0.00
		£1,747,372.08	£247,372.08	£1,500,000.00	

loan	£1,500,000.00
interest	£247,372.00
Total	1,747,372
Cumulative surplus	739,000
ROI -10 years	42.20%
ROI per annum	4.22%

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Section 2: Financial details of proposal (at current pay and price levels)

These figures are drafted as viewed from CBC

CAPITAL COSTS PROFILE	2017/18	2018/19	2019/20	2020/21	2021/22	Totals £
Buildings	666,000					666,000
Infrastructure e.g. parks and gardens, landscaping						
Vehicles, plant or equipment	557,000					557,000
Project Management	90000					90000
Contingency	106,000					106,000
Prelim costs	81,000					81,000
Total capital cost of project	1,500,000					1,500,000

CAPITAL FUNDING PROFILE (please state if confirmed)	2017/18	2018/19	2019/20	2020/21	2021/22	Totals £
Loan to The Cheltenham Trust	1,500,000					1,500,000
Total capital funding of project	1,500,000					1,500,000
Net capital cost to CBC	1,500,000					1,500,000

ADDITIONAL REVENUE COSTS PROFILE	2017/18	2018/19	2019/20	2020/21	2021/22	Totals £
Direct staffing / Additional support services staffing						
Maintenance						
Heating/lighting/NNDR etc.						
Other						
Total additional revenue cost of project	0					0

INCOME / SAVINGS / MATCH FUNDING PROFILE	2017/18	2018/19	2019/20	2020/21	2021/22	Totals £
Loan repayment	£174,737	£174,737	£174,737	£174,737	£174,737	873,685
Cashable savings						
Non-cashable savings						

NET CONTRIBUTION TO BRIDGING THE GAP	2017/18	2018/19	2019/20	2020/21	2021/22	Totals £
Please profile the net contribution to the bridging the gap programme			25,000			

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Section 3: Assessment against corporate strategy objectives and outcomes

What contribution will the project make:	assessment					Please describe how the project will contribute to the delivery of the council's strategic objectives and outcomes and what the constraints are to delivering these outcomes
	significant	moderate	weak	none	undermines	
Cheltenham's environmental quality and heritage is protected, maintained and enhanced						
Green space improvements / maintenance and enforcement				X		None anticipated
Public realm improvements / maintenance and enforcement				X		None anticipated
Being environmentally sustainable		X				The project will introduce new equipment and fittings eg lighting air-con etc will be at a higher level of carbon efficiency and will reduce the carbon footprint of the facilities further
Sustain and grow Cheltenham's economic and cultural vitality						
Economic growth		X				Continuing to invest in Cheltenham's leisure offer is important as it strengthens Cheltenham as a place where people wish to live, work and play.
Cultural vitality	X					The Trust actively seeks to explore opportunities to expose its customers to sport arts and culture across all its venues through cross fertilisation.
Improving connectivity		X				Many services are delivered in partnership with 19 other providers across Health, Education, Social Services and Sport. The proposal aims to ensure that the facilities remain attractive to these partners
People live in strong, safe and healthy communities						
Safety and wellbeing of individuals and communities	X					The activities delivered will contribute directly to the safety and wellbeing of local residents through building communities and social cohesion, in particular with some of the target populations that use the facilities
Decent and affordable housing				X		None anticipated
Strong and healthy communities	X					The activities delivered will contribute directly to the strength and health of local residents; the scheme will increase access to facilities for the public that both improve physical, mental and emotional wellbeing
Our council can continue to facilitate the delivery of our outcomes for both Cheltenham and its residents						
Effective use of assets	X					The proposal makes a significant investment into leisure-at to keep it competitive and to enable a growth in income and footfall. Although gym equipment was refurbished in 2013, there has been no significant investment into the fabric of the building since the post-flood refurbishment in 2007.
Commissioning						None anticipated
Organisational development						None anticipated

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Section 4: Risk assessment

See risk assessment in main body of Cabinet report

Please identify the main risks associated with the project (financial, health and safety, reputation)	Impact 1-5	Likelihood 1-5	Score out of 25	How would you manage the risk	Risk Manager
If the Trust defaults on the loan, there will be no property that CBC can repossess. Therefore the Council owes a fiduciary duty to its council tax payers to ensure that the business case is sound.	3	2	6	Ensure that the business case is sound so that it can be sure that the repayments will made.	Sarah Didcote
As the term of the loan is 10 years, and there is less than 8 years of the certain term of the management agreement with the Trust remaining, if the Council were not to extend the management agreement and as a result if the Trust needed to wind itself up the loan repayment agreement would not be fulfilled.	4	2	8	The council would need to be in a position to seize any assets of value. This therefore suggests that CBC should take a floating charge over its assets under the loan agreement	Donna Ruck