

<b>Title of Report:</b>	<b>Redevelopment of Coleraine Leisure Centre – Strategic Outline Case Update</b>
<b>Committee Report Submitted To:</b>	<b>The Leisure &amp; Development Committee</b>
<b>Date of Meeting:</b>	<b>17 August 2021</b>
<b>For Decision or For Information</b>	<b>For Decision</b>

<b>Linkage to Council Strategy (2019-23)</b>	
Strategic Theme	Resilient, healthy & engaged communities
Outcome	Citizens will have access to Council recreational facilities and protected natural environments which help them to develop their physical, emotional and cognitive health.
Lead Officer	Head of Sport & Wellbeing

<b>Budgetary Considerations</b>	
Cost of Proposal	£15m (target cost)
Included in Current Year Estimates	<b>YES/NO</b>
Capital/Revenue	Capital
Code	
Staffing Costs	

<b>Screening Requirements</b>	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:
	DPIA Required and Completed:	Yes/No	Date:

## **1.0 Purpose of Report**

The Leisure Facilities Project Board requested that the original approved Strategic Outline Case (SOC) for the redevelopment of Coleraine Leisure Centre (CLC) was revisited and presented for discussion to the Project Board prior to any decision to re-commence work on the project being taken by the Leisure & Development Committee and Council.

The purpose of this SOC is therefore to update the strategic case for investment in the redevelopment of Coleraine Leisure Centre and to request Member's approval for the resources required to complete the development of an Outline Business Case (OBC) in line with 'Better Business Cases NI' guidance on the new 'Five Case Model'.

## **2.0 Background**

An OBC was commenced in 2016 to test the case for Council to develop a new leisure centre to replace the ageing facility in Coleraine and provide an alternative to Waterworld which had also reached the end of its design life. The OBC was supported by a procured Integrated Consultancy Team comprising Pinsent Mason, Ostick & Williams and V4 Leisure Services.

The estimated capital cost of £21m provided for a new facility of 6,238m<sup>2</sup> with major/minor hall, larger gym and studio space, soft play, 25m swimming pool, leisure water and wet and dry changing space. The footprint was slightly smaller than the existing leisure centre, however the modern design offered potential for greater market penetration/income opportunities alongside a more cost-efficient design and whole life cost.

The OBC was suspended in 2018 on the basis of capital affordability in terms of the net subsidy, Council's Capital Programme and external funding opportunities at the time.

The management operating model was seen as key factor in this analysis and Council spent two years transforming leisure operations and evaluating alternate options for all six of its major leisure sites. Unfortunately, the Covid-19 pandemic put these plans on-hold to focus on recovery planning and safe use of facilities under the public health restrictions.

## **3.0 Strategic Outline Case Update**

The SOC Update (included as **Annex A**) has been prepared to provide an up-to-date position and high-level assessment of strategic fit, rationale for intervention, feasible options, value for money, affordability and deliverability.

In order to reduce the significant risks to both affordability and deliverability, the Project Board agreed a target capital cost of £15m and completion date of within five years. This timeframe reflects the increasing cost to Council of 'Doing Nothing' in terms of the ongoing repair and maintenance which rises exponentially in facilities nearing the end of their economic life.

To work towards this target, Officers have presented initial views on alternate options that reduce the scale and content of the original facility mix and effectively propose options that are 'right sized' to the current evidence base for need/demand and future market conditions.

If progressed, the OBC will also be developed to align with other strategic projects currently being considered in Coleraine town and support potential external funding opportunities, including the Growth Deal and/or Levelling Up Fund.

The SOC contains an assessment of high-level costs, benefits and risks and identifies **Option 3 – a 'Right Sized' Proposal at Railway Road as the 'Preferred Way Forward'** at this initial stage with an estimated capital cost of £15-17m. The Preferred Option will only be determined following the full OBC development and assessment against the new 'Five Case Model' and subject to affordability within the Council's Capital Programme.

Subject to Council approvals, the indicative delivery timeframe to progress the project through Council's four stage capital process is summarised as follows:

- Stage 0: Strategic Outline Case Update and Resources Approved – September 2021;

- Stage 1: Outline Business Case Approved – March 2022;
- Stage 2: Full Business Case (design/planning/procure) Approved – March 2023;
- Stage 3: Construction Completed (24 mths) – March 2025; and
- Stage 4: Leisure Centre 'Ready for Use' - April 2025.

In order to achieve Stage 1 approval of the OBC an incremental decision making approach aligned to the 'Five Case Model' is proposed over the next six months (see Section 10, Strategic Outline Case - 'Project Delivery Plan').

#### **4.0 Recommendation**

It is recommended that Members note the Strategic Outline Case Update and approve the required additional resource of up to £20k to deliver an Outline Business Case for the redevelopment of Coleraine Leisure Centre.



# Redevelopment of Coleraine Leisure Centre

## *Strategic Outline Case Update (& Project Delivery Plan)*

August 2021

<b>Version</b>	<b>Date</b>	<b>Distribution</b>
1.0 Draft for Project Board	10 May 2021	RB/WMCC
2.0 Draft for CPWG & SLT	22 July 2021	CPWG & SLT
3.0 Draft for L&D Committee	17 August 2021	Committee Members

### 1.0 PURPOSE OF THE STRATEGIC OUTLINE CASE

The Leisure Facilities Project Board requested that the original Strategic Outline Case (SOC) for the redevelopment of Coleraine Leisure Centre (CLC) was revisited and presented for discussion prior to any decision to re-commence work on project being taken by Leisure & Development Committee and Council.

The purpose of this SOC is therefore to update the strategic case for investment in the redevelopment of Coleraine Leisure Centre. The SOC has been prepared in line with recent government guidance ('Better Business Cases NI, 2020')<sup>1</sup> and will provide a review of strategic fit, rationale for intervention, feasible options, value for money, affordability and deliverability.

This updated SOC also contains a Project Delivery Plan which identifies the additional resources required to develop of an Outline Business Case (OBC) in line with 'Better Business Cases NI' guidance on the 'Five Case Model'.

### 2.0 PROJECT INTRODUCTION AND BACKGROUND

The Coleraine Leisure Centre opened in 1981, following the refurbishment and extension of the existing swimming pool on the site, which had been operational since 1969. The Centre provides leisure opportunities for the local residents in Coleraine, Portrush and Portstewart (population circa 59,000).

An OBC was commenced in 2016 to test the case for Council to develop a new leisure centre to replace the ageing facility in Coleraine and provide an alternative to Waterworld which had also reached the end of its design life. The OBC was produced with a procured Integrated Consultancy Team comprising Pinsent Mason, Ostick & Williams and V4 Leisure Services.

The OBC analysis provided evidence that there is strong need for provision in the Coleraine area. It drew on various empirical evidence and research at both a macro and local level:

- Reducing physical inactivity by just one per cent a year over a five-year period could save £1.2 billion of public money.
- Sport related activity is estimated to add £452m to the Northern Ireland economy.
- 13,700 people are employed in sport-related jobs, representing 1.9% of total employment.
- Regular physical activity can significantly reduce the risk of chronic illnesses such as heart disease, type 2 diabetes and stroke.

BUT, also that:

- The Coleraine area ranks 18<sup>th</sup> (of the 26 legacy boroughs) for the provision of sports hall facilities and suggests that in Coleraine, there is an unmet demand equivalent to 1,029 visits per week.
- The Coleraine area ranks 10<sup>th</sup> (of the 26 legacy boroughs) in terms of swimming pool provision and estimates that current pool provision fails to meet demand of around 357 unmet visits per week.
- There is significant unmet demand for gym facilities of around 1,150 unmet visits per week.

In the context of the demonstrable need (and policy justification) leisure facility provision in the Coleraine area, the Council adopted three high level objectives for the project:

- Address local market needs and demand for leisure within Coleraine;

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<sup>1</sup> <https://www.finance-ni.gov.uk/articles/better-business-cases-ni>

- Address social, economic, equality and deprivation challenges; and
- Create financially sustainable facilities.

A long list of development options were initially considered including: Do Nothing; refurbishment of Waterworld and Coleraine Leisure Centre; new stand-alone leisure centre to replace both the existing Waterworld and Coleraine Leisure Centre; new stand-alone leisure centre located adjacent to Northern Regional College.

Ostick & Williams had previously undertaken a detailed site appraisal which identified and appraised potential sites in and around the town of Coleraine. Whilst the starting position for the OBC was that the project would be located at Rugby Avenue, the preferred site option emerging was to the rear of the existing Coleraine Leisure Centre on the Railway Road.

The estimated capital cost of £21m provided for a new facility of 6,238m<sup>2</sup> with major/minor hall, larger gym and studio space, soft play, 25m swimming pool, leisure water and wet and dry changing space. The footprint was slightly smaller than the existing leisure centre, however the modern design offered potential for greater market penetration/income opportunities alongside a more cost efficient design and whole life cost.

The OBC was suspended in 2018 on the basis of capital affordability in terms of the net subsidy, Council's Capital Programme and external funding opportunities at the time. The management operating model was seen as key factor in this analysis and Council has spent the last two years transforming leisure operations and evaluating the in-house transformed, council owned company and outsource options for all six of its major leisure sites. The potential savings in annual subvention from this process is viewed as essential in part funding the financing costs of additional Council borrowing.

### 3.0 STRATEGIC CONTEXT

The project is set within the context of and informed by a range of strategies:

- 'Council Strategy 2015-2019' - Causeway Coast & Glens Borough Council;
- 'A Better Future Together: A Community Plan for Causeway Coast & Glens 2017-2030';
- Sport & Wellbeing Plan 2020-23 (interim); and
- 'Sports & Leisure Facilities Strategy'; Causeway Coast & Glens Borough Council 2015;
- Sport NI's Corporate Plan 2022-25 (which is currently being finalised);
- DfC's Strategy for Sport and Physical Recreation (which is currently being finalised).

Taken together these strategies and their outcomes have been influenced by and reflect other strategies and policies of external partners working to deliver the Programme for Government.

The OBC will also be developed to align with other strategic projects currently being considered in Coleraine town and support potential external funding opportunities, including the Growth Deal and/or Levelling Up Fund.

### 4.0 RATIONALE FOR INTERVENTION

The rationale for intervention is summarised in the table below:

Need/Demand	Research base	Key Conclusions
(i) Facility Planning Needs	<ul style="list-style-type: none"> <li>• Sport and Leisure Facility Strategy (2015)</li> </ul>	<ul style="list-style-type: none"> <li>• There is significant unmet demand for pool and gym visits indicating that existing facilities are undersized and there are condition issues in the Portrush and Coleraine facilities.</li> </ul>

## Redevelopment of Coleraine Leisure Centre – Strategic Outline Case Update

<p>(ii) Market Trends and Industry Benchmarks</p>	<ul style="list-style-type: none"> <li>Alliance Leisure, Gym Metrix (2019)</li> <li>UK Active / CIMPSA: Covid recovery planning (2020)</li> <li>APSE KPI's / benchmarks (2020)</li> </ul>	<ul style="list-style-type: none"> <li>Highlight the decline in cardio and the more recent emergence of functional training regimes using underutilised spaces within leisure facilities.</li> <li>The SWB Recovery Plan 2020/21 evidences the impact of pandemic on the leisure sector reducing demand and income by c.66%. Lessons learned from this experience to be factored into design of new facilities.</li> <li>Performance data for CLC has recently been sent to APSE for benchmarking against other local authorities. This shows strong performance in terms of net cost per capita and customer spend per capita with full analysis to follow for inclusion within OBC.</li> </ul>
<p>(iii) Condition of existing centre</p>	<ul style="list-style-type: none"> <li>Facility over 40 years old with less than 10 years of economic life remaining.</li> <li>Empirical research highlights that repair /maintenance costs rise exponentially at end of building life cycle.</li> <li>No condition surveys have been carried out (with exception of asbestos surveys).</li> <li>Alliance Leisure, Site Visits and Development Options (2019)</li> </ul>	<ul style="list-style-type: none"> <li>The building is dated and in need of major investment.</li> <li>Annual Estates costs for repair and maintenance (reactive basis only) for CLC have doubled over the past 5 years to c.£50k p.a.</li> <li>The Leisure Team have identified ongoing condition issues and CLC manages on a day to day basis with sub-optimal Pool Plant Operating System, Air Conditioning System and Pool Tank Tiling Issues.</li> <li>Acknowledging the need for replacement centre, interim development opportunities included increased gym space to c.500m<sup>2</sup>, more flexible studio space and new gym equipment at a cost of c.£1.7m.</li> </ul>
<p>(iv) Socio-economic Needs</p>	<ul style="list-style-type: none"> <li>Census data, health and deprivation statistics (2011).</li> <li>Sport and Physical Activity Survey (2010)</li> </ul>	<ul style="list-style-type: none"> <li>Provision of facilities serving a catchment population of c.60,000 with identified pockets of significant social, economic and health inequalities.</li> <li>Participation in sport and physical activity of 33% below the NI average of 27%.</li> </ul>
<p>(v) Latent Demand Analysis and Income Potential</p>	<ul style="list-style-type: none"> <li>4Global research (2019)</li> </ul>	<ul style="list-style-type: none"> <li>Potential demand for additional 400 members (36% increase on current memberships) and optimal provision of 67 gym workstations.</li> <li>The 'Social Value' of potential members estimated at c.£700k p.a., primarily in terms of health and well-being benefits.</li> </ul>

	<ul style="list-style-type: none"> <li>In-house Team 'Shadow Bid', including new CLC variant (2019)</li> </ul>	<ul style="list-style-type: none"> <li>Annual throughput of c.220,000 users with potential for significant growth in fitness classes and gym members.</li> <li>Income projections for fitness development forecast to increase by c.£100k p.a. with a £1m investment and c.£200k p.a. with a new CLC.</li> </ul>
(vi) Local data and consultation	<ul style="list-style-type: none"> <li>Historical usage and capacity utilisation (2020)</li> <li>Management accounts 2015-20</li> <li>Staff engagement (2020)</li> <li>User surveys (2020)</li> </ul>	<ul style="list-style-type: none"> <li>APSE figures for 2019/20 indicate hall usage of 40,000 users. Notably, significant usage from Sports Development / Health Matters programmes and party hire. Capacity utilisation to be completed for all facility spaces at OBC development.</li> <li>Management accounts for CLC indicate pool and gym income to be fairly static (on average £220k and £270k respectively) and hall income (on average £50k) decreasing by c.33% over the 5 years.</li> <li>Early staff engagement supports the focus on more flexible and functional gym space and re-purposing underutilised large hall spaces e.g. RVLC Pilot Project.</li> <li>In February 2020, a total of 1,271 customers completed a survey rating the quality of leisure facilities and services. In terms of CLC, this highlighted a negative 'Net Promoter Score' compared with above standard scores across all other sites. Specific customer comments on CLC include: <i>"building not fit for purpose...overall refurb required...and equipment needs replaced"</i>.</li> </ul>

In order to deliver the most cost effective leisure provision in Coleraine all of the above research will be revisited and updated during the OBC development and the preferred design options will be 'right-sized' accordingly to the evidence base.

### 5.0 STRATEGIC AIMS & CONSTRAINTS

At this early stage of the appraisal process it is not possible to formulate detailed objectives. However, the high level aim is to develop a new Leisure Centre in Coleraine within the next 5 years at a total cost of £15m that will:

- Address local market needs and demand for leisure within Coleraine;
- Address social, economic, equality and deprivation challenges;
- Create financially sustainable facilities.

The following constraints have been identified for the project:

- Financial** – affordability within Council's Capital Programme to be confirmed with an indicative planning figure for £15m investment;



- **Policy** – project delivery in line with four stage capital process for capital funding and strategic priorities of any other external funders;
- **Legal** - adherence to the Leisure Services Specification, industry safety standards and manufacturers guidelines for safe use of equipment;
- **Management** - account to be taken of Council's other development plans for leisure across the Borough (including Ballycastle Phase II) and the breadth of leisure offering in each of the centres (swimming, play, club usage etc.); and
- **Covid-19** - the hugely detrimental impact of this pandemic has been clearly articulated within the Sport & Wellbeing Recovery Plan and continued uncertainty presents a challenging climate for leisure development and transformation.

### 6.0 FORMULATION OF OPTIONS

The feasible options under consideration at this stage include variations to location, scale, content and timing as follows:

Option Variables	Detail
<b>1 - Do Nothing:</b> no investment in re-developed CLC	<ul style="list-style-type: none"> <li>• The OBC is not progressed and no significant investment in new leisure facilities with ongoing reliance on outdated leisure centre with increasing maintenance and repair associated with an aging facility. The affordability of 'doing nothing' will be fully appraised at OBC development stage.</li> </ul>
<b>2 – Site Selection:</b> consideration of alternative sites across Coleraine	<ul style="list-style-type: none"> <li>• A comprehensive investigation of the existing site at Railway Road and 6 alternative sites (Northbrook Industrial Estate, Rugby Avenue, Beresford Avenue, Anderson Park, Ballycairn Road and University of Ulster) established that there were no suitable alternative sites available in Coleraine which are capable of accommodating the proposed development.</li> <li>• Consequently the ICT conducted site investigations at Railway Road and drafted outline design plans which were costed by Sammon in 2018.</li> <li>• In addition, a number of Pre-Application Discussions were undertaken with Planning in 2019 that established the consideration of a municipal leisure centre to be a town centre use (SPPS 101) and therefore a 'town centre first' approach has been adopted with proposals at Railway Road.</li> </ul>
<b>3 – Scale and Content (Schedule of Accommodation):</b> consideration of footprint and facility provision	<ul style="list-style-type: none"> <li>• The original proposal in 2018 provided for a new facility of 6,238m<sup>2</sup> with major/minor hall, larger gym and studio space, soft play, 25m swimming pool, leisure water and wet and dry changing space at a cost of £21m.</li> <li>• The original proposal requires updating to current market conditions and 'right sizing' according to the evidence base outlined above in Section 4 and the indicative financial constraint of up to £15m. There is potential for multiple options that reflect increasing demand for flexible and functional training spaces and underutilisation of traditional large hall spaces.</li> </ul>
<b>4 – Phased Development:</b> consideration of incremental development	<ul style="list-style-type: none"> <li>• As per Option 3 above but future proofing the design for further development and/or extensions to the building footprint. The technical feasibility of this approach will require further investigation with reference to similar examples of other leisure centre developments.</li> </ul>
<b>5 - Operational Management:</b> consideration of management operating model	<ul style="list-style-type: none"> <li>• In-house Transformed ('Shadow Bid' Submission, 2019) is currently the recommended management model and subject to Council review in September 21. This decision will be critical to the affordability analysis for inclusion in the later stages of the OBC development.</li> </ul>

## 7.0 ASSESSMENT OF COSTS, BENEFITS AND RISKS

A high level assessment of costs, benefits and risks is considered below:

### (i) Capital Costs

- Option 1 - Do Nothing: £Nil
- Option 2 – Original Proposal for new CLC at Railway Road: £21m
- Option 3a/b – ‘Right-Sized’ Proposals for new CLC at Railway Road: £15-17m
- Option 4 – Phased Development of Option 3a/b above: £15-17m

The indicative costings for the initial options are detailed against the original Schedule of Accommodation (with revisions by Officers highlighted) in the table below:

Schedule of Accommodation:		2. Original 2018 m2		3a. Revised LESS halls m2		3b. Officer Amended m2
Main Hall		690		-		-
Minor Hall		332		-		-
Hall storage		128		-		-
Hall changing		200		-		-
Studio 1		150		150		150
Studio 2		150		150	<i>Inc.</i>	300
Studio Storage		100		100		100
Gym Area		500		500		500
Gym Office		10		10		10
Gym Consulting Area		10		10		10
Gym Store		20		20		20
Gym changing		150		150		150
25m Pool		620		620		620
Learner Pool		265		265		265
Pool store		50		50		50
Spectator seating		150		150		150
First Aid		20		20		20
Health Suite		350		350		350
Village Changing		400		400		400
Group Changing		30		30		30
Leisure Box		250		250	<i>Inc.</i>	500
Café Servery		150		150		150
Café Seating		150		150		150
Reception		60		60		60
General Offices		80		80		80
WCs		120		120		120
Staff changing		50		50		50
Staff room		30		30		30
Cleaners stores (5)		43		43		43
Hall plant		125		-		-
Pool plant		275		275		275
General Plant		100		100		100
<b>Net Internal Floor Area</b>		<b>5,758</b>		<b>4,283</b>		<b>4,683</b>
Circulation	10%	576	10%	428	10%	468
<b>Gross Internal Floor Area</b>		<b>6,334</b>		<b>4,711</b>		<b>5,151</b>
<b>Construction Cost per SQ M</b>	<b>£ 2,611</b>	<b>£ 16,537,552</b>	<b>£ 2,611</b>	<b>£ 12,301,204</b>	<b>£ 2,611</b>	<b>£ 13,450,044</b>
Professional Fees	10%	£ 1,653,755	5%	£ 615,060	5%	£ 672,502
Development Costs	3%	£ 496,127	2%	£ 246,024	2%	£ 269,001
Risk Allowance	10%	£ 1,653,755	10%	£ 1,230,120	10%	£ 1,345,004
Inflation Allowance	5%	£ 826,878	10%	£ 1,230,120	10%	£ 1,345,004
<b>Total Cost</b>	<b>£ 3,342</b>	<b>£ 21,168,066</b>	<b>£ 3,316</b>	<b>£ 15,622,529</b>	<b>£ 3,316</b>	<b>£ 17,081,556</b>

These estimates are based on the following assumptions:

- Original design plans and cost estimates prepared by Ostick & Williams/Sammon, 2018;
- Officers preliminary analysis of a revised schedule of accommodation and associated 'on-costs' including a modest increased inflationary uplift of 10%;
- OBC development will require ICT input on technical feasibility (particularly Option 4: Phased Development), outline designs and costings for all alternate options.

In terms of the options under consideration, Options 3 and 4 present the lowest capital cost and most financially prudent approach under the current market conditions.

The OBC will also revisit the operating cost and income projections with reference to current baselines and detailed financial analysis contained with the 'Shadow Bid', which also included forecasts based on the assumption of a new Coleraine Leisure Centre being developed.

### (ii) Non-Monetary Benefits

In order to assess the non-monetary case, criteria would be developed at OBC as follows:

Criteria	Factors being Assessed
Alignment and contribution to Council's Strategic Priorities	An assessment of the options ability to realise: <ul style="list-style-type: none"> <li>• Community Plan Outcomes and Actions;</li> <li>• Corporate Strategy Priorities; and</li> <li>• Business Plan objectives and work streams.</li> </ul>
Addressing identified strategic need across the Borough	An assessment of the options ability to realise: <ul style="list-style-type: none"> <li>• Leisure Specification and Shadow Bid Targets;</li> <li>• Facilities Strategy deficits and gaps in provision.</li> </ul>
Adherence to the Principles of the SWB Health and Wellbeing Mandate	An assessment of the options ability to realise: <ul style="list-style-type: none"> <li>• High quality leisure and sports services,</li> <li>• Accessible need based programmes; and</li> <li>• Sustainable facility provision via partnership working.</li> </ul>
Delivering better health and wellbeing outcomes for the local community	An assessment of the options ability to realise: <ul style="list-style-type: none"> <li>• Increased levels of participation in physical activity;</li> <li>• Improved health and well-being; and</li> <li>• An enhanced quality of life.</li> </ul>
Impact on broader statutory requirements	An assessment of the options ability to realise: <ul style="list-style-type: none"> <li>• Positive S75/Equality outcomes; and</li> <li>• Positive Rural Proofing outcomes.</li> </ul>

For the purposes of SOC, only a high level assessment of non-monetary benefits and social returns can be carried out. Normally, there is positive correlation between investment value and non-monetary benefits and on this basis 'Option 2: Original Proposal' would score highest.

However, Option 3a/b which remove hall provision and includes additional flexible studio space and Leisure Box (commercial space) provides the opportunity for reduced subvention for re-investment into health and wellbeing programmes. The potential also exists for developing strategic partnerships to address any deficit remaining in hall space provision e.g. with education partners.

If any deficit in hall space cannot be addressed with strategic partnerships, Option 4 also provides a safeguard leaving the potential for development by Council at a later date and when external funding opportunities may arise.

A full non-monetary appraisal of non-monetary benefits will be completed at OBC development stage following in-depth consultation with potential delivery partners, community stakeholders and external funding opportunities.

### (iii) Risks

A detailed risk assessment and review of mitigation factors will be considered within the OBC. However, the standard high levels risks associated with this capital project would include:

- Capital cost overrun, construction programming delays and affordability consequences;
- Low membership growth, casual bookings, low income levels and increased subvention required from Council;
- Community resistance to the proposed facilities and competing demands on leisure facilities;
- Scope of works - alterations, amendments to scope could create time delays and additional costs and failure to achieve the project objectives; and
- Lack of clarity of roles and responsibilities during Project Management and Operational Management.

The risks associated with the higher investment, Option 2: Original Proposal are considerable under the current market conditions, however, Option 1: Do Nothing also poses significant risk to the operational affordability of the existing Coleraine Leisure Centre resulting from continued deterioration and loss of commercial appeal to new customers. The risks associated with Options 3 and 4 can be managed with existing capital project management procedures and the four stage approval process.

## 8.0 AFFORDABILITY ANALYSIS

An initial affordability analysis of the options presented is summarised in the table below:

	Option 1: Do Nothing	Option 2: Original Proposal	Option 3a: 'Right Sized' Less Halls	Option 3b: 'Right Sized' Officer Amends
Capital Cost	£Nil	£21m+	£15.6m	£17m
Estimated Loan Repayments* / Reduction in Subvention p.a.	£Nil	£1,155k	£858k	£935k
Capital Programme 'Planning Figure'	£15m	£15m	£15m	£15m
Deficit Capital Funding	£Nil	£6m+	£0.6m	£2m
Affordability Assessment	Affordable in terms of Capital Programme, however increasing pressure on annual revenue subvention and repairs and maintenance.	Not affordable in terms of Capital Programme and reduction in subvention extremely challenging under current market conditions.	More affordable and aligned to indicative planning figure. Potential strategic partnerships and funding opportunities to be explored.	Less affordable with indicative planning figure. Potential for increased income to offset cost of borrowing and external funding opportunities to be explored.

\*repayment of c.£55k per annum for £1m capital borrowing

On this basis, Option 3a is most affordable, as with all capital commitments subject to approval of Stage 2 – Final Investment Decision. Option 3b (and Option 4 with a possible phased development) presents the most financially viable approach at this point in time, with detailed capital costings and affordability analysis to be confirmed at OBC development. This will also include detailed examination of funding bids under Growth Deal and/or Levelling Up Fund.

**9.0 CONCLUSION & PREFERRED WAY FORWARD**

On balance, of the assessment of costs, benefits and risks **Option 3 – a ‘Right Sized’ Proposal at Railway Road is the Preferred Way Forward** with an estimated capital cost of £15-17m. The Preferred Option will only be determined following the full OBC development and assessment against the new ‘Five Case Model’.

**10.0 PROJECT DELIVERY PLAN**

Subject to Council approvals, the indicative delivery timeframe to progress the project through Council’s four stage capital process is summarised as follows:

- Stage 0: Strategic Outline Case Update and Resources Approved – September 2021;
- Stage 1: Outline Business Case Approved – March 2022;
- Stage 2: Full Business Case (design/planning/procure) Approved – March 2023;
- Stage 3: Construction completed (24 mths) – March 2025; and
- Stage 4: Leisure Centre ‘Ready for Use’ - April 2025.

In order to achieve Stage 1 approval of the OBC an incremental decision making approach aligned to the ‘Five Case Model’ is proposed as follows:

OBC ‘FIVE CASES’	Key Actions	Timeline
1. Strategic Case	<ul style="list-style-type: none"> <li>• Update market conditions/assumptions</li> <li>• Re-affirm Needs and Objectives</li> <li>• Capital Programme to be confirmed by Finance</li> </ul>	September 21
2. Management Case	<ul style="list-style-type: none"> <li>• Preferred management option agreed</li> <li>• Governance and project management plan</li> <li>• Business Plan and KPIs agreed</li> </ul>	October 21 <i>(agreed review point)</i>
3. Economic Case	<ul style="list-style-type: none"> <li>• Site selection reviewed and agreed</li> <li>• Facility mix / schedule of accommodation reviewed</li> <li>• Cost/benefit/risk appraisal: preferred option</li> </ul>	January 22
4. Commercial Case	<ul style="list-style-type: none"> <li>• Procurement route to deliver ‘Best Value’</li> <li>• Operational income strategy</li> <li>• Marketing and Sales Plan</li> </ul>	February 22
5. Financial Case	<ul style="list-style-type: none"> <li>• VAT implications reflected in forecasts</li> <li>• Whole life costs and energy savings considered</li> <li>• Financial projections updated</li> <li>• Funding opportunities exhausted e.g. GD/LUF</li> <li>• Capital affordability to be re-confirmed by Finance</li> </ul>	March 22
<b>Stage 1 - approval</b>	<b>Proceed to Stage 2 - Detailed design and FBC</b>	<b>March 22</b>

The above timeframe is ambitious and would require in-house staff time and SIB support to develop the OBC and additional resources of up to £20k to complete as follows:

- Technical input on feasibility and re-design of alternate options and outline costings updated; and
- Leisure industry input on latest market developments and demand for facility mix.

It is proposed that the existing contract with Pinsent Masons (Ostick & Williams and V4 Leisure Services) is utilised to complete the required technical and leisure industry input noted above. It is noted that this contract is now dated and will require review and legal advice prior to any decision to progress the project to Stage 2.