

Report of the Director of Corporate Services

Executive Board

DEVELOPMENT FUND APPLICATION

Renewal of fitness equipment at some of our Leisure facilities.

Head of Service & Designation. O Bowen – Interim Head of Financial Services	Directorate Corporate Services	Telephone No. 01267 224886
Author & Designation As above	Directorate	Telephone No

1. BRIEF SUMMARY OF PURPOSE OF REPORT.

An application has been received from the Communities Department for the renewal of fitness equipment and increasing the fitness capacity at some of our Leisure facilities.

KEY DECISIONS REQUIRED, IF ANY

The report gives an update on the latest position of the Development Fund, and seeks the approval for a recent application to the Fund.

2. RECOMMENDATION(S)

- 2.1 Approval is given in the sum of £600,000 to fund the purchase, installation and related building works at our Leisure facilities
- 2.2 That Development Fund criteria no 5 be set aside for this application
- 2.3 That the repayment for the above scheme be over four years.
- 2.4 Given the available funding currently in the Development Fund, that to facilitate the scheme, a sum of £500k be transferred from the Insurance earmarked reserve to the Development Fund, with such sum being repaid at the rate of £125k per annum over four years.

3. REASON(S)

A recent application for financial assistance from the fund has been received from the Communities department the renewal of fitness equipment and increasing capacity at some of our Leisure facilities.

4. BACKGROUND AND EXPLANATION OF ISSUES

Development Fund Criteria

5.1 To qualify for Fund support the following criteria were laid down:-

1. Applications are restricted to “one off” type projects and support for recurring costs are not considered.
2. All projects must demonstrate the ability to generate long-term savings to the Authority.
3. Financial assistance from the fund to be repaid over a four year period, with no interest being charged.
4. Minimum scheme cost eligible for support is set at £50,000.
5. Financial assistance to any scheme is restricted to 25% of available fund resources.

It must be said however that since its inception the fund has supported projects that did not meet all the above criteria.

5.2 CURRENT POSITION

- 5.2.1 Some 43 schemes have been supported to date to the value of approx £5.4m by the Development Fund.
- 5.2.2 Based on the approvals to date, there is £389k available for new projects. This sum will rise to £549k in 2017/18 and £704k in 2018/19 when future repayments to the fund are made.
- 5.2.3 Given the level of funding currently available, it is recommended that a sum of £500k be transferred to the Development Fund from the Insurances Earmarked Reserve to facilitate this and future applications. The £500k transferred from the Insurance Earmarked Reserve will be repaid from the Development Fund at the rate of £125k per annum over four years.

NEW APPLICATIONS

- 5.3.1 An application has been received from the Communities Department the renewal of fitness equipment and increasing capacity at some of our Leisure facilities.

5.3.2 Scheme Overview:

Scheme Costs

	£
Fitness Equipment	526,000
Building Works	131,000
Loss of income	85,000
Contingency	68,000
	810,000
Less met from internal funding	-210,000
Amount requested	600,000

5.3.3 Fund Repayments

£150,000 per annum over four years, to be met through avoiding current maintenance costs, and increased income generation.

5.3.4 Scheme Benefits

- CCC's fitness-related income from the current fitness equipment is circa £1m per annum but the sustainability of this income is seen as being at high risk. The fitness equipment across our leisure sites is 9-10 years old and requires immediate renewal for us to compete in the marketplace. The current equipment limits our ability to grow the business and to address health, social and well-being objectives.
- Leisure's ambition is to get more people more active more often in order to create a healthier population. In order to achieve this, it has to have an attractive, motivating offer of activities and services. The service tends to focus on the young, families and the older population, and provide facilities, activities and membership options accordingly.
- By renewing the fitness equipment and increasing capacity at some of our gyms, we would be able to relaunch our fitness offer with an improved customer experience and increase our income again to pay of the loan and create a surplus.
- We attract over 1200 referred clients pa (from medical practitioners) and literally use our fitness equipment to put life-saving and life-changing interventions in place for them.
- We have age-related and social pricing policies in place, and work with Communities First to attract and cater for users from deprived areas.

6 OTHER OPTIONS AVAILABLE, AND THEIR PROS AND CONS

- a) Do nothing. However we anticipate that this will see a trend of continued customer loss. The 3 associated facilities are losing, on average, 10-12 memberships per month each, with the associated loss projected to be in the region of £86k over 12 months. This will be compounded in the forthcoming years with increasing losses due to deteriorating equipment
- b) Leasing the required equipment. Estimated to cost an additional £350k over a seven year life.

7 COMMUNITY STRATEGY INTEGRATION TOOL

Not Applicable

8 IMPLICATIONS:

1.FINANCE

Based on the latest profile of spending, it is estimated that there is some £390k available for new projects, which can be supplemented through the transfer of £500k from the Insurance Earmarked Reserve with such sum being repaid at the rate of £125k per annum over four years.

The application is for £600,000, with the fund repayments of £150,000 per annum being made from savings on maintenance costs and income generated.

2.STAFFING

No impact.

9 FEEDBACK FROM CONSULTATIONS UNDERTAKEN

Not Applicable

10 LIST OF BACKGROUND PAPERS USED IN THE PREPARATION OF THE REPORT

Title of Document	File Ref No.	Where available for public inspection
Development Fund Application		County Hall, Carmarthen.