

Live Active Leisure Board

Report Title: Live Active Rodney - Options Analysis and Appraisal

Meeting Date: 22 April 2022

Agenda Item: 6

Report Number: LAL/CO/22/02

1. PURPOSE

The purpose of this report is to provide a high-level options appraisal to determine if there is a viable, sustainable alternative use for Live Active Rodney.

2. DECISION REQUIRED

Yes

3. RECOMMENDATION

It is recommended that:

The Company give immediate notice to Perth and Kinross Council of the decision and request to withdraw all Company services from Live Active Rodney on the 8th July. With the intention that the Company will 'hand back' the venue by the 31st August.

4. BACKGROUND AND KEY POINTS

- 4.1 The Bell's Development project agreed by the Company in August 2021, will transfer all services currently delivered at Live Active Rodney to Bells' Sports Centre. It is anticipated that the new facilities will open on the 9 July 2022.
- 4.2 The project will consolidate and rationalise fitness provision delivering a range of key objectives including improved financial viability, create additional fitness gym and group fitness capacity, modernising and updating Perth City fitness offer and improving customer experience. The business case was based on the Company closing Live Active Rodney.
- 4.3 The Bell's Sports Centre development will provide the principal fitness offer for the Company in Perth City until such time as the PH₂O project has been delivered. (Currently scheduled to open in 2027/28)
- 4.4 The outline business case developed for the PH₂O project includes the requirement to consolidate fitness provision and rationalise the Perth City Fitness Offer. The business case for PH₂O will be updated in due course to reflect the Bell's Sports Centre Development.
- 4.5 Live Active Rodney is owned by Perth and Kinross Council. Live Active Leisure have operated the venue on 'historical' arrangements on a repair and maintain basis – Perth and Kinross Council have contributed to some necessary repairs to make the

building wind and watertight, however the Company have been principally responsible for lifecycle maintenance. There is no formal 'lease' in place.

4.6 Condition surveys completed in 2019 by Perth and Kinross Council categorised the venue with a rating of 'B' - Satisfactory, the surveys detailed a five year spend requirement of circa £275K. The majority of the work identified remains outstanding.

4.7 The project has identified financial efficiencies in the region of £250K per annum, which will be achieved through property costs, staffing efficiencies and customer generated income. Any delay to the project will result in a pro rata unbudgeted financial pressure.

5. CONTRACTUAL OBLIGATIONS

5.1 Perth and Kinross Council's 'Services Agreement' with the Company identifies the following requirements if a 'property' is to be withdrawn:

'The Service Provider (LAL) shall be under an obligation to supply the PSO Services from the Service Provider Properties, the Properties and the Outdoor Centre and the Service Provider shall not be entitled to terminate the supply of PSO Services from any of such venues without the prior written consent of the Authority (such content not to be unreasonably withheld or delayed)

On 9 March 2022 the Council approved a motion regarding Live Active Rodney which requires Full Council to consider and approve any request from the Company to cease delivering services from the venue, the first practical date for consideration by the Council will be 29 June. This is the first Full Council meeting scheduled post local government elections on 5 May.

On the basis that Live Active Rodney is required to operate until at least the 29 June, the staff transfer and launch of the new fitness facilities at Bell's Sports Centre have been delayed until the 9 July, with promotional activity to commence from the 30 May. If permission to close Live Active Rodney is not provided on the 29 June urgent discussions will be required with the Council, to determine the next steps.

6. OPTIONS APPRAISAL / ANALYSIS

6.1 Issue Statement

Live Active Rodney is currently surplus to requirements (as per Bell's Sport Centre – Business Case approved in August 2021) This options identification, analysis and appraisal has been completed as additional due diligence to determine if the Company has an alternative financially sustainable use for Live Active Rodney or whether it will seek formal permission from PKC to cease operating services from the venue.

6.2 Options Identification

An internal options identification workshop has been completed with representatives from the Senior Management Team, Facilities and Service Delivery teams.

6.3 Options Analysis Criteria

Options were appraised against the following parameters: Benefits, risks / issues, anticipate timescales for implementation, sustainability of the option in terms of financial and resource implications

6.4 Constraints

Financial:

- No budget provision (Capital / Revenue) has been identified to support an alternative use of Live Active Rodney.
- Building Condition surveys completed by PKC in 2019 identify costs over a five-year period of circa £275K
- Annual Revenue Property Costs including energy, supplies and services circa 30K - £40K (higher figure based on 2019/20 actuals including anticipated 2022 increase - costs will vary depending on alternate use of the venue).
- Options considered must be financially viable and sustainable

Scope:

- Options considered are appropriate to the Company's charitable objectives.

6.5 Option 1 – Soft Play Centre

Description

- Develop the venue as a dedicated soft play centre which would incorporate play frame and other equipment suitable for preschool children. Catering offer would be developed for users / parties.

Benefits

- Develops physical activity opportunities for preschool children
- Car park provision on site / location close to city centre / on major trunk road
- Rodney layout is suitable for principal soft play area to be located in 'Main Studio' with other breakaway spaces available for parties and other activities
- Potential for income generation

Risks / issues

- Significant Capital investment est £300K required to develop the venue, including internal remodelling
- Limited market – pre-school children
- Established Competition locally and in neighbouring areas.
- Asset Management / Property cost overheads – say what these are and whether/how they are significantly different from current
- Covid – Soft play areas one of the first activities to be restricted and one of the last to be reopened
- Delivering on performance targets will be critical, any deficit will add further strain on Companys' financial resources.
- Non swimming pool 'Family activities' have been included in the PH20 business case, the detail of this is still to be defined however it is likely to target the same market.

- Consideration could be given to seeking sponsorship or external funding – however, there are no known models of this type of funding arrangement in relation to a soft play centre.
- Internal staff capacity to deliver and develop.
- Commercial expertise required.

Timescales

- Circa 6 months

Financial and resource implications

- Project Manager to oversee project circa 4 months £20K
- One Off Costs - Capital investment of approximately £300K required to make physical changes and purchase equipment i.e., play frame, play equipment, develop catering area
- Venue requires potential £275K investment over the next five years – condition survey 2019
- Revenue Costs – Staff Costs, Premises Costs, Supplies and services to be factored into commercial business plan.

Summary

- This Option will require a one-off capital spend of circa £300K – as there is currently no capacity within the Company's reserves for this level of investment, therefore borrowing would need to be considered. Other costs to be considered include ongoing building investment requirements circa £275K over five years. In addition, new staff team / energy, property costs, marketing and promotion expenditure would all need to be factored into the financial business plan. The soft play market is competitive, with well-established local and regional competition. The PH20 project scheduled to open in 2027/28 will include family activities which are still to be defined but will target the same market. The requirement to achieve very high occupancy levels will be required – with the risk that not hitting targets will create a further financial pressure for the Charitable Company. These factors culminate in a project which is considered high risk.

Recommendation: Not Recommended

6.6 Option 2 – Dedicated Gymnastics Centre

Description

- Transfer Company's Perth City Gymnastics Programme from Bells Sports Centre to Live Active Rodney and create dedicated gymnastics facility.

Benefits

- Dedicated space for existing gymnastics programme
- Release court space at Bells Sports Centre for alternative use

Risks / issues

- Gymnastics area would be reduced in size in comparison to existing space at Bells Sports Centre. This would result in a 25% reduction in class size capacity compared to existing programme. Reducing the number of spaces by approximately 130 per week.
- Negative Customer Impact based on above.
- Booking IT solutions would need to be considered – there would be no reception function at Live Active Rodney with this model to minimise costs.

- Asset Management / Property Cost overheads

Timescales

- Circa 3 months

Financial and Resource Implications

- Van Hire / Small team to move equipment. Approximately 2K
- Gymnastics Equipment Floor socket installation circa £2K
- Additional equipment would be required as Scottish Gymnastics Association owned equipment based at Bells Sports is used for events as well as the Company's recreational programme. Circa £15k
- Asset Management costs of circa £275K over five years, Property costs in the range of £30 – 40K per annum
- Option would lose circa £25Kpa in gymnastics revenue.
- Option would release court space at Bells Sports Centre, which could generate circa £22.5K

Summary

- This option would require a one-off cost of approximately £19K, gymnastics revenue would fall by approximately £25K per annum due to the reduced capacity. Sportshall availability at Bells Sports Centre would increase and would generate an additional 22.5K per annum approximately. Gymnastics is the Company's second largest / popular programme, behind swimming lessons. To reduce the capacity of the existing programme by 125 spaces per week would be very unpopular. In addition, budget provision would need to be sourced to fund the asset management requirements of £275k over five years, and the property costs of £30 – 40K per annum, which would not be recovered by the activity income.

This option would generate additional sportshall capacity at Bell's Sports Centre for other activities – however, sportshall programming has been considered as part of the Bells Sports Centre Development with the Company committed to working with other partners including Perth College UHI and Perth and Kinross Council to map club / sportshall provision more strategically across the city.

Recommendation : Not Recommended

6.7 Option 3 – Bowls Venue

Description

- Transfer indoor bowls programme from Dewars Centre to Live Active Rodney - at such time as required (if Dewars Centre is required to close during the development of PH20)

Benefits

- Temporary provision provided to mitigate potential loss of amenity during PH20 development
- Positive customer impact with users.

Risks / issues

- Bowling Rink dimension requirements are between 34 – 40M length with each rink a minimum of 4.6m wide. Dewars Bowling Hall is 36m x 36m. Live Active Rodney's principal studio is 18m x 18m. Even with significant internal

remodelling the venue is not large enough to accommodate an indoor bowling rink.

- An alternative would be to provide short bowls carpets which would provide an alternate activity however it is envisaged that this would have limited appeal with existing users of Dewars Centre.
- Indoor Bowls only operates during the winter season Sept – April.
- Asset Management / Property Cost overheads

Timescales

- Not applicable

Financial and Resource Implications

- Short Bowling Mats can be purchased for approximately £1500 per mat. No further modification would be required to the existing hall.
- The venue would be required to operate on a self-managed basis to minimise costs.
- Asset Management costs of circa £275K over five years, Property costs in the range of £30 – 40K per annum.

Summary

- Live Active Rodney is not large enough to provide a professional standard indoor bowling rink. The venue could provide short bowls carpets, but this is not a comparative offer for existing customers – there is a high risk that uptake would be low. The one-off cost would be approximately £6k for 4 bowls mats – the venue would operate on a self-managed basis with minimal staffing to reduce costs, however the asset management costs, and property costs would not be covered by the activity income. Additionally, bowling will remain at Dewars Centre for the next 2 – 3 years (until such time as PH20 project commences on site), during this period the Company would remain liable for the property. Short Bowling could be provided at another venue in Perth City if required.

Recommendation : Not Recommended

6.8 Option 4 – Sports Hall Activity Overspill Provision

Description

- Develop the venue to provide ‘overspill’ sportshall activity.

Benefits

- City Centre location
- Accessible venue

Risks / issues

- Venue design limits opportunity to develop – restricted height and space available
- The venues ‘studio’ (18m x 18m) is the only area which would be suitable for any sportshall activity, this would provide limited options as follows:
 - Badminton Court – one court only due to space / height limitations
 - Volleyball – not suitable due to space limitations (18m x 9m – with space required beyond court)
 - Five a side football – not suitable due to space limitations
 - Basketball – not suitable due to space limitations
 - Table Tennis – suitable for approximately 4 tables.

- Childrens Coached activity – no current space demands – accommodated within existing facility provision
- Asset Management / Property Cost overheads
- Staff presence required – supervision / equipment set up / take down.

Timescales

- 2 months

Financial and Resource Implications

- Equipment / Court Marking - Investment 5K
- Staff Costs – supervision / equipment setup and breakdown TBC
- Asset Management costs of circa £275K over five years, Property costs in the range of £30 – 40K per annum.

Summary

This option would generate extremely limited additional sportshall capacity for two key sports only, badminton and table tennis, the scale of availability would also be very limited. Staff presence (limited) would also be required to supervise, and setup / breakdown equipment as required. The ongoing property and asset costs would not be offset by income generation. Sportshall programming has been considered as part of the Bells Sports Centre Development with the Company committed to working with other partners including Perth College UHI and Perth and Kinross Council to more strategically map club / sportshall provision across the city.

Recommendation: Not Recommended

6.9 Option 5 – Health and Wellbeing Hub

Description

- Develop the venue into a Perth and Wellbeing Hub delivering key activities to customers who are more vulnerable and / or with long term health conditions.

Benefits

- City Centre location
- Increased capacity for programme delivery – growth in health and wellbeing programmes and success in attracting external funding
- Accessible venue

Risks / issues

- Venue is not required to deliver health and wellbeing programme
- Asset Management / Property Cost overheads
- Wellbeing hubs difficult to sustain financially – low income generation service area.
- Visiting clients/patients in familiar surroundings such as their homes / care homes are better for their mental wellbeing
- If a hub was to be developed a more central city location would be preferable. Transport / accessibility.
- A wellbeing hub would not be suitable to deliver the range of services currently provided by GP surgeries. The Company does not deliver primary care like a GP surgery, it provides wider health and wellbeing services to enhance clinical services.

Timescales

- Immediate – would require minimal layout / building intervention

Financial and Resource Implications

- Equipment Investment – approximately 1K
- Asset Management costs of circa £275K over five years, Property costs in the range of £30 – 40K per annum.

Summary

- The Company's Wellbeing Team provides programmes across all communities in Perth and Kinross. A range of activities are delivered including stride for life and buddy walks, activity referrals, wellbeing classes, gym sessions, all ability cycling and care at home and within 'care homes' exercise support. Social prescribers within GP surgeries currently refer clients to Live Active venues and the Company's Wellbeing Team along with other groups in the community such as Andy's Mans Club. The nature of many of these activities are that the wellbeing team work closely with clients in their communities. Those activities which are more 'mainstream' including activity referral / gym and supported activity classes are and can be delivered within existing venues within Perth city. Capacity to deliver these classes is provided through the existing venue provision i.e. Perth Leisure Pool, Dewars Centre, Glenearn Campus, North Inch Community Campus, Bells' Sports Centre and Community Halls. The wellbeing offer provides a significant impact to a smaller group of people – it does not generate significant revenue, therefore if this option was progressed there would be a significant financial pressure from the Property and asset management overheads which would not be covered by any activity income.

Recommendation: Not Recommended

6.10 Option 6 – Martial Arts Centre

Description

- Develop the venue into a dedicated martial arts centre

Benefits

- City Centre location
- Dedicated activity set up
- Potential to release 'court space' in other LAL venues

Risks

- Martial Arts is not delivered by Live Active Leisure, operated on an 'extended let – block booking basis – income is capped at the hire charge.
- Limited demand – there is current 14.25 hrs of martial arts activity per week accommodated within LAL Perth venues.
- Not all martial arts have the same equipment / set up requirements which makes a 'dedicated set up' challenging
- Limited to evening use only – rare for daytime / weekend demand
- Asset Management / Property Cost overheads
- Self-Management arrangement – key holder basis (no LAL staff presence / supervision)

Timescales

- Month

Financial and Resource Implications

- Equipment Investment – matting circa 5K

- Current martial arts activity operating at LAL venue generates in the region of £6.5K per annum. Moving this activity to Live Active Rodney would 'release' approximately 14 hrs of Sportshall courts. This would generate in the region of £4.5K of income.

Summary

- There are a range of different martial arts operating within Perth city, some of the larger clubs have developed their own 'stand-alone' dedicated venues. The Company currently provides extended lets to 5 martial arts clubs for approximately 14 hours per week within Perth City venues generating approximately £6.5K income per annum. This demand is currently being met at North Inch Community Campus. There is no market data to suggest that there is significant additional demand. Transferring martial arts activity to Live Active Rodney would release a modest amount of 'court' space at North Inch Community Campus which would generate in the region of £4.5K of income per annum.
The overhead property costs of operating Live Active Rodney would not be mitigated by the anticipated income generation of a dedicated martial arts facility.

Recommendation: Not Recommended

6.11 Option 7 – Do Nothing (hand back venue to authority)

Description

- Vacate and return venue to Perth and Kinross Council

Benefits

- Venue rationalisation, reduction in property / staff costs, improved sustainability of wider company
- Supports Bell's and PH20 PH20 business case rationale.

Risks

- Potential that venue could be leased by PKC to a competitor in the future.
- Missed opportunity to deliver alternative activities from the venue.
- Reputational Impact of closing venue.

Financial and Resource Implications

- achieves property / staff savings as detailed in Bell's Business Case.
- Minimal additional resources required. Corporate Property contracts to be adjusted / terminated, Fitness equipment will be transferred to Bell's Sport Centre, or sold where surplus to requirements. IT equipment / furniture will be recycled within the Company.

Timescales

- Fitness Services will cease in Mid-June – needs amending to reflect implications of Council decision 9 March. Vacate building entirely by 31st July.ditto

Summary

- This option supports the business case developed for the Bells Sports Centre Development – presents the lowest financial risk to the Company in the absence of a sustainable, viable alternative use of Live Active Rodney. There is a risk that the venue could be leased to a competitor in the future, however

the size of the venue is likely to make it undesirable to a major fitness company. The reputational damage in relation to closing the venue has already been 'publicly discussed' as part of the Bells Development Project, therefore it is not anticipated that this decision would gain significant further negative publicity.

- **Recommendation:** Recommended

7 Conclusion

The Bells Sports Centre development transfers all services currently supplied at Live Active Rodney to Bell's. The key objectives of the Bell's project are to improve the Company's financial viability by consolidating and improving the Perth City fitness offer, and through the efficiencies realised by rationalising Live Active Rodney. This Options Appraisal has therefore been completed on the principal premise that any alternative future use of Live Active Rodney must be viable and able to cover all the inherent costs. The options have also been considered from a secondary perspective in terms of wider benefits.

The appraisal process has not highlighted an option that presents a reasonable 'business risk' of delivering an alternative sustainable model at Live Active Rodney, it is therefore the recommendation that the Company write to Perth and Kinross Council and request consent to cease all services from Live Active Rodney and terminate the current 'lease' arrangement.

8 Implications, Assessment and Consultation

IMPLICATIONS	YES / NONE
Financial	NONE
Workforce	NONE
Assets	YES
Live Active Rodney is owned by Perth and Kinross Council. This paper recommends that Live Active Leisure gives notice to cease operations within the venue and hand it back to Perth and Kinross Council. Given that the options considered in this paper are not recommended It is for the Council to consider an appropriate future use.	
ASSESSMENTS	
Equality Impact Assessment	NONE
An Equality Impact Assessment on the transfer of services from Live Active Rodney to Bell's Sports Centre has been completed previously. There are no further Equality implication from the recommendations made in this paper.	
Risk	NONE
CONSULTATION	
Internal	YES
Workshop with senior and operational management staff to determine potential options for consideration.	
External	NONE

9. Additional information

For additional information contact:

- Paul Cromwell – Chief Executive Officer
- Gary Watson – Director of Operational Services