

For publication

HLC Commercial Opportunity (Additional Activities Room)

Meeting:	Cabinet
Date:	<i>14th June 2016</i>
Cabinet portfolio:	Health and Wellbeing
Report by:	<i>Darren Townsend (Centre Manager)</i> <i>James Wild (Project Officer)</i>

1.0 Purpose of report

1.1 To recommend for approval the creation of a new activities room, fit for purpose administration office and staff facilities at the Healthy Living Centre.

2.0 Recommendations

2.1 That the creation of a new activities room along with a fit for purpose administration office and improved staff facilities are approved.

2.2 Approval of £46,000 capital investment to improve the current customer facilities and staff facilities that are on offer at the HLC

3.0 Report details

3.1 Background

Currently there is a large general administration office at the Healthy Living Centre (HLC) which isn't used to its full potential.

The office is approximately 70m² and only houses 12 desks. The desks currently in the administration office are not utilised at all times and there is a significant amount of wasted space.

- 3.2 There are currently three separate offices directly opposite the general administration office which could be used more effectively, these offices are:
- Managers office
 - Cash Office
 - Store Room
- 3.3 The offices have a combined floor space of approximately 35m² and could be converted to create a fit for purpose general administration office.
- 3.4 There is also a technician's office on the site which is approximately 20m² and currently used mainly for storage. This office could be converted to create a new centre managers office and meeting room.
- 3.5 Exercise classes at the HLC and QPSC are largely oversubscribed and there is a need for an additional multifunctional activities room to add capacity and satisfy increasing membership needs. It is also thought within Leisure Service that the oversubscribed classes and limited class time table due to space is having a knock on effect on membership retention figures.

Reasons for Proposal

- a) The Council is committed to improving current facilities for all members and potential new and returning customers.
- b) By converting the existing administration office into an activities space it could generate an income for the Council and improve the current service provided.
- c) The current office space at the HLC is not being used to its full potential.

- d) Current staff facilities at the HLC are in need of improvement to create a clean fresh modern working environment that has adopted the Great Place Great Service (GPGS) principles.
- e) Leisure Services has a target to increase participation levels by 1% and keep attrition rates below the industry recognised 4%.
- f) In despite of the current economic climate the Council has an opportunity to generate an income by providing an improved service.
- g) The Council are hoping to exploit more commercial opportunities and make savings where appropriate.

3.6 **Key Aims**

- a) Create a new activities room to combat the class oversubscription over both sites.
- b) Improve annual income at the HLC.
- c) Generate new business for the HLC.
- d) Improve membership retention figures across both sites.
- e) Create a new fit for purpose office space.
- f) Improve staff facilities.

4.0 **Human resources/people management implications**

- 4.1 The human resource implications are minimal as we will look to use existing staff where possible and provide further training if required. Recruitment may be necessary in time as popularity for the area increases. The additional cost of staffing will be taken from the income generated by the new activities room.
- 4.2 There are no people management implications.
- 4.3 There will be an improvement in staff welfare facilities as part of the scheme.

5.0 Financial implications

5.1 Works required at the Healthy Living Centre:

- Create a new activities room along with a new air conditioning unit.
- Create a new fit for purpose admin office which will house 8 members of staff.
- Create a new food preparation and dining area for the staff.
- Create a soft furnished break out area for the staff.
- Move and refurbish the staff WC so it doesn't open directly into the food preparation area.
- Move the cleaner's cupboard.
- Create a new managers office along with meeting room.
- Move the safe into the CCTV room on the ground floor.

Total Cost of Conversion = **£46,000** (*estimates provided by Kier*)

The plan is already included in the capital programme for 2016/17 which has already had approval by the council in February 2016.

5.2 Potential Income Generation:

The table below details the projected 'cashable' income, and have been conservatively estimated. There will be further benefits by way of member retention and low attrition rates.

Classes	Attendees	Hrs Per Wk	Day / Wk's	Cost PP	Total	Income Per Class
Holiday Activities	15	9am - 4pm Per day	(51 Days Total)	£12.60	£9,639	£9,639
Martial Arts	10-15	4 hrs per wk.	50 weeks	Room Hire £15.00 Per hour	£3,000	£3,000

Dance Group	10-15	2 hrs per wk.	50 weeks	Room Hire £15.00 Per hour	£1,500	£1,500
Spin Class	20	3 hrs per wk	50 weeks	£5.25	£15,750	£1575 (10% *PPC)
TRX Classes	10	3 hrs per wk	50 weeks	£3.85	£5,775	£981.75 (17% *PPC)
Gym Tots & Pre School	10	3 hrs per wk	50 weeks	£3.70	£5,550	£5,500
Yoga & Pilates	15	4 hrs per wk	50 weeks	£4.65	£13,950	£6,138 (44% *PPC)
TOTAL					£55,164	£28,333

*PPC – Pay Per Class

- Activities Room Potential Income = **£28,333**
- Staffing Costs for New Activities Room = **£11,650**
- **Net Income Benefit = £16,683**

5.3 It is thought that the completion of the new activities room will aid membership retention as the Council will be able to offer more activities.

The table below shows the revenue potential of retaining a higher percentage of members. These figures are based on the 1053 members lost in 2014/2015:

Percentage	Members Retained	Retained Income
2%	21	£6652.80
4%	42	£13,305.60
6%	63	£19,958.40
8%	84	£26,611.12

Based on Full Price

5.4 Payback Period (based only on cashable benefit).

	16/17 (£,000)	17/18 (£,000)	19/20 (£,000)	20/21 (£,000)	21/22 (£,000)
Capital Investment (£46,000)	(£29.3k)	(£12.6k)	£4,049	£20.7k	£37.4k**

**estimated cumulative net benefit

- Each year the Council will generate around £28,333.75 from the new activities room.
- The payback period has taken into account the £11,650 staffing cost for the new activities room.
- The estimated net income from the new activities room is £16,663 per annum; this doesn't include any potential membership retention.
- This payback period does not include any retained income from offering and improved service.

6.0 **Legal and data protection implications**

6.1 None.

7.0 Consultation

7.1 No consultation has been carried out at this stage.

7.2 All HLC staff will be consulted on the layout, style and colour scheme of the new admin office if approved.

7.3 No consultation will be carried out for the new activities room as this will be a standard fit for purpose conversion.

8.0 Risk management

8.1 Risk's and mitigating actions:

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Buy-in from staff.	Low	Unlikely	If the Business Case is agreed staff affected will be consulted on the re-design and regular progress meetings will be held throughout the conversion of the HLC.	Low	Unlikely
CBC could miss a commercial opportunity if HLC is not converted.	High	Likely	The Business Case will explore all options available to CBC which will determine the benefit of	Low	Unlikely

			converting the HLC.		
Failure to implement GPGS principles due to current working style of the HLC.	Medium	Possible	Expectations balanced against resource, quality and timescales. PID and Project Plan adopted. Senior management and leadership engaged. Governance in place.	Medium	Possible
Failure to convert the HLC could have an impact on membership retention.	Medium	Possible	The Business Case will outline the strengths of converting the HLC along with the potential annual income and membership retention.	Low	Unlikely
Failure to offer an improved service at HLC could impact on new business figures.	Medium	Possible	Offering an improved service would appeal to potential customer and make membership more attractive over both sites (QPSC &	Low	Unlikely

9.0 **Equalities Impact Assessment (EIA)**

9.1 EIA assessment completed and no further action required.

10.0 **Alternative options and reasons for rejection**

10.1 Do Nothing:

- Continue to provide the current service at the HLC without any improvements to staff facilities or admin office.
- The activity classes will continue to be oversubscribed.
- The HLC will be unable to offer holiday activity clubs.

This does not present as a strong business option and is not recommended as the Council needs to continue to improve the services provided at the Healthy Living Centre.

11.0 **Recommendations**

11.1 That the creation of a new activities room, fit for purpose GPGS model office and improved staff facilities is approved.

11.2 Approval of £46,000 capital investment to improve the current customer facilities and staff facilities that are on offer at the HLC.

12.0 **Reasons for recommendations**

12.1 Improved service delivery / capacity after listening to the concerns of customers about the over-saturation of activity classes.

12.2 Improved commercial potential.

13.0 **Decision information**

Key decision number	Non-key no. 56
Wards affected	ALL
Links to Council Plan priorities	Key Project 31 - Great Place: Great Service

Document information

Report author	Contact number/email
James Wild	01246 345902/ james.wild@chesterfield.go.uk
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
Appendices to the report	
None	None