

## EXECUTIVE SUMMARY

- A. Sports Solutions GB (SSGB) was appointed by Three Rivers District Council (The Council) in August 2010 to undertake a Feasibility Study examining the potential clubhouse redevelopment options at Bury Lake Young Mariners (BLYM). The Council is working in partnership with BLYM with a view to redeveloping the sailing facilities used by BLYM. The Council owns the land and the buildings in which BLYM operates and there is a lease in place between the Council and BLYM.
- B. The clubhouse building from which BLYM operates is now very old (over eighty years old) and beyond its useful life. It is in poor condition and it limits BLYM expending its sailing programme, particularly for disabled groups as there are no suitable changing rooms to allow larger groups of disabled users to change. The clubhouse is also limiting BLYM's ability to offer more sailing activities to young people and to other community groups.
- C. Both BLYM and the Council have together considered refurbishment options but these have been discounted on the basis that the investment to refurbish the buildings would not demonstrate value for money. BLYM started considering new build options about two years ago and has identified a preferred scheme (referred to in this report as Option 1) with the help of an architect and cost consultant. The scheme BLYM has identified provides a two storey clubhouse with a greater amount of accommodation for changing and for training courses that will meet their future needs. In Phase 1 of BLYM's preferred scheme, a new 620m<sup>2</sup> clubhouse building would be provided and in Phase 2 of the scheme, the existing clubhouse and buildings (total internal usable area is 455m<sup>2</sup>) would be demolished and replaced with a new boat store. The total cost for Option 1 is £2.78m. The total cost of the new clubhouse in Option 1 is £1.91m. The designs for this scheme can be found in Section 2 of the report.
- D. SSGB has undertaken a review of Option 1 and whilst it is recognised that this scheme has been designed following in-depth consultation with BLYM and that the size of the clubhouse reflects the scale of accommodation needed for the future, the proposed scheme is expensive when set in the context of the levels of funding available. A review of grant funding sources undertaken by SSGB has indicated that £385,000 of grant funding may be possible to secure for the project but it is unlikely, given the challenging funding climate at present, that grant funding above this level could be secured. BLYM has indicated it may be willing to invest up to £250,000 into the new clubhouse project. The overall funding gap for this option and the two alternatives is presented overleaf. Excluding the boathouse cost, the funding gap for the new clubhouse in Option 1 is £1.23m.
- E. The funding gap of circa £1.23m would therefore need to be met by other sources such as BLYM and the Council. The Council has not yet confirmed the level of capital funding it could allocate to the project but advice from Council Officers has indicated that because of the significant pressures on capital and revenue budgets, the Council is very unlikely to allocate a capital grant of £1m+ which is needed to deliver the clubhouse in Option 1.
- F. SSGB has therefore explored ways in which the funding gap could be addressed through both the identification of schemes with lower capital costs as well as potential methods of financing the project through borrowing. Through discussions with BLYM regarding the mix of facilities required and the ideal layout, SSGB's appointed architect for the study, Faulkner Browns, was asked to produce a design for a clubhouse which has a smaller footprint and therefore lower capital cost than the new clubhouse building proposed by BLYM. An alternative scheme has been presented which is a one-storey building that can be built in two phases if funding does not allow the whole building to be built at once. The sketch designs for this alternative building can be found in Section 3 of the report.

- G. It is important to note that BLYM has indicated that the proposed alternative options are not acceptable and considers them too small to be operationally viable. The total floor area of the clubhouse in the alternative scheme (Option 2) is 540m<sup>2</sup> and is circa 80m<sup>2</sup> smaller than the clubhouse building proposed by BLYM (Option 1). The cost of building the clubhouse in Option 2 is £1.74m (excluding the new boat store building). The funding gap for the delivery of the clubhouse in Option 2 is £1.06m.
- H. For many of the internal spaces, the alternative design in Option 2 provides comparable room sizes but provides less space for changing rooms. The total area allocated to changing rooms in Option 1 is 160m<sup>2</sup> and for Option 2, the area allocated to changing rooms is 103m<sup>2</sup>. Whilst this smaller area has been identified as a key issue by BLYM, the exact layout and sizes of individual changing areas can be modified to suit BLYM's specific requirements and slightly more changing areas and slightly less training spaces can be designed. It was considered a realistic option, however, to reduce the amount of area allocated to changing rooms in the scheme as this can have little affect on operations at BLYM as long as the timing of group activities is such that changing rooms can be used by more than one group at different times. Design features such as secure storage and locker spaces can facilitate this kind of arrangement.
- I. If the alternative clubhouse building is built in two phases then Option 3 (first phase) would provide a clubhouse of circa 410m<sup>2</sup> (smaller than the total area BLYM uses at the moment) with the possibility of extending this building by a further 130m<sup>2</sup> in the future. The cost of building the first phase of the new clubhouse in Option 3 is £1.33m. The funding gap for the completion of Option 3 is £0.65m. A summary of all costs and the funding gap for each option is presented below.

Option	Capital cost (£)	Funding gap (£)
1 – BLYM proposed scheme (620m <sup>2</sup> )	1.91m	1.23m
2 – One storey scheme (540m <sup>2</sup> )	1.74m	1.06m
3 – One storey scheme, first phase only (410m <sup>2</sup> )	1.33m	0.65m
<i>Later phases of development</i>		
3 - Phase two extension (130m <sup>2</sup> )		0.53m
New boat store on the site of the old clubhouse		0.837m
Alternative option for building the boat store is to convert the old clubhouse into a basic "agricultural type of building"		0.456m
There is a further option of just stripping out the clubhouse and undertaking some basic internal reconfiguration		30k

\*funding gap based on assumption that £385,000 can be raised from grants and £250,000 from BLYM

- J. A meeting was held with the Council's Head of Leisure and Community Services and the Director of Corporate Resources and Governance to discuss the funding gap for all options and whether there is any flexibility for additional capital funding or investment on the basis of a loan agreement with BLYM. It is possible that Council Members may determine that a large capital grant can be provided for the project. However, there is also an option that rather than a capital grant, a capital loan is offered to BLYM. The terms of this loan would need to be negotiated but the repayments could be set up through BLYM's lease charges. A significant capital investment of this nature would however, need to result in a meaningful revenue stream for the Council in order for this to be justified during the current period of financial restraint.

- K. An operating forecast has been produced for each option following lengthy discussions with BLYM. For Option 1, the operating forecast shows a break even position in Year 1 followed by annual profits ranging from £11,000 to £12,000 per annum. For both Options 2 and 3, it was felt by BLYM that due to the reduced size of building from which to operate in, they would not be able to generate sufficient income to cover running costs. Therefore, for both of these alternative options, a deficit position is shown from Year 1 and this deficit is significant at circa -£17,000 for Option 2 and -£20,000 for Option 3. Despite the projected net operating deficits for the alternative options, it may be possible with some further work on the operating figures and a redesign of the internal spaces, a smaller net operating deficit could be achieved with an aim to break even by Years 3 or 4.
- L. It is also important to note that if the operating approach to the facility were to move away from a charity-driven model towards a more commercial model then sufficient income could be generated to achieve a net surplus in Option 2. For example, if a more commercial model was adopted whereby training courses and activity programmes were designed and implemented with a more aggressive approach which prioritised income generation above charitable objectives, then it is likely that Option 2 or a variation of it in terms of design could be operationally viable and generate a surplus. However, a more commercial type of approach would not fit with BLYM's current charitable operating model and a more commercial approach is likely to reduce the levels of affordable access to certain groups, including disability and youth sailing groups.
- M. The operating forecasts also include a budget for future lifecycle costs and if this budget is removed from the projections then a small profit can be achieved in Option 2. There could be an agreement reached between BLYM and the Council which commits both parties to share the risk and costs of major capital repairs or maintenance as and when required and therefore remove lifecycle costs from the annual budgets until an agreed time.
- N. It is important to note that none of the options present a viable operating position which could support any significant level of debt financing if this was necessary, whether through a loan arrangement, prudential borrowing or through an increase in rent.
- O. It is concluded that there may only be a deliverable option if the following agreements can be reached between BLYM and the Council:
- BLYM can agree to compromise on its requirements and conclude that in order to deliver a new building in the short-term and safeguard the future of BLYM, a smaller building than what it has proposed in Option 1 is acceptable and that further work should be completed on a building with a footprint more in line with Option 2
  - The Council can determine whether a significant capital grant is possible
  - A loan option is defined which has a repayment plan that BLYM can afford
- P. Finally, there may be a further option which would be to provide a different kind of building that can cater for a wider range of uses, markets and user groups and enables the Council to meet some of its wider leisure and open space needs. This building could also still provide BLYM with a base from which to operate. The Council could consider introducing an external operator to manage this kind of facility which may be able adopt a more commercial model to operation and generate higher levels of income. This option has not been tested with the market nor discussed at length with BLYM but it is something the Council could consider in order to provide a new facility at the site.