

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Culture, Recreation and Countryside
Date:	7 December 2017
Title:	Pay and Play Proposal at Calshot Activity Centre
Report From:	Director of Culture, Communities and Business

Contact name: John Tickle

Tel: 01962 846000

Email: John.Tickle@hants.gov.uk

1. Executive Summary

- 1.1. This report seeks approval for the inclusion of a suite of integrated pay and play adventure activities at Calshot Activity Centre at an estimated total cost of £320,000, funded from the cost of change budget.
- 1.2. This report seeks approval to include the project in the 2017/18 Policy and Resources Capital Programme.
- 1.3. This report seeks to obtain spend and procurement approval for contracting activity associated with the project.
- 1.4. The report provides a summary of the scope, financial impact, and options analysis underpinning the proposed project to help support and sustain the future operation of the centre.

2. Contextual information

- 2.1. Calshot is one of the largest residential outdoor adventure centres on the South Coast. Situated on a spit and surrounded by the Solent the centre offers a wide range of indoor and outdoor activities across all age ranges. The land is leased from the Crown Estate and the Council has a 125 year full repairing lease of which there are 92 years remaining. Many of the buildings on site are listed, the main hangar houses, climbing walls, ski slopes and velodrome. The two smaller hangars cater for water sports and team building areas. There are three residential blocks and associated dining room. New in 2018 will be the addition of ten camping pods, providing additional accommodation for up to 40 people.
- 2.2. The Hampshire Outdoor Centres have undertaken a detailed assessment of customer data, market conditions, and business opportunities. This assessment, along with an external consultancy report by Planning Solutions Consultancy (PSC), identified a gap for those customers who seek short adrenaline based experiences on an ad hoc basis. Reaching out to new market segments, new 'fun adventure' activities would have wider market appeal, whilst adding positively to current residential schools experiences.

2.3. PSC identified twenty potential pay and play income generating activities and these were used to carry out a detailed options appraisal to evaluate against strategic objectives and deliverability. Financial modelling and market research indicates that a range of different activities are likely to deliver higher return than one larger facility. The four options identified to take forwards are:

Auto belayed climbing	Fun, funky climbing challenges for all, different from traditional climbing in that safety is provided by an automatic belaying “machine”
Aerial trekking	Indoor, aerial trekking adventure, participants negotiate high ropes obstacles such as balance beams and aerial stepping stones, whilst attached to a continuous safety system.
Bouldering	Short climbing problems above safety matting, bouldering offers great freedom of movement, requires hardly any equipment and there is no need for others to hold a participants ropes.
Ringos	Inflatable tubes that participants sit in and ride down the dry ski slope.

(See Appendix E for schematic of location and sample images of options)

2.4. Also scoring highly, two other activities that were considered, but are not proposed to be implemented at this point in time.

Artificial caving	Moulded plastic tunnels complete with stalagmites and stalactites - bring out the inner explorer within and participants learn how to move around the caves with their twists, turns, dips, bumps and rocks.
Soft Play	An indoor area with play equipment made from soft materials, offering an affordable and safe environment where children can play, explore and make friends.

2.5. Construction of dedicated Ringo runs, was deemed to be cost prohibitive, however, incorporating the existing Ringo option into the overall pay and play offer would create a multiplying effect, greater than if offered in isolation.

2.6. Artificial caving, was often less popular with customers, with lower take up rates when compared to the other activities considered. Soft play looks attractive, but currently, there is not a suitably heated and appropriate sized room/area in close proximity to the café bar for the parents. A further feasibility study will need to be undertaken around this option and it may form part of the wider developments within the Sunderland Hangar.

2.7. A key factor in terms of market desirability of the pay and play activities is not being weather dependant, and locating these facilities inside the main Sunderland Hangar ensures participation all year round.

2.8. Key benefits of the project will include:

- Income derived from new market sector – walk in / pay and play
- Increased business from existing income streams i.e. birthday parties, delivered on a more cost effective model
- Marketing opportunity to re brand relaunch adventure activities / adrenalin sports at Calshot for residents and visitors to the local area and beyond
- Links in with climbing being included in the Tokyo 2020 Olympic games
- Improved customer experience – more accessible to “have a go” but also better meet the needs of existing clients i.e. recreational climbers
- Increased opportunity to “up sell”
- Unique Selling Point – Indoor facility, not weather dependent

3. Finance

Capital Expenditure

3.1. All expenditure would fall under capital expenditure. This project has an estimated spend of £320,000 all of which will be funded through the CCBS Cost of Change reserve:

Capital Expenditure	£'000
Equipment	320
Total	320

Financial Provision for Total Scheme	Buildings £'000
CCBS Cost of Change reserve	320
Total	320

Inflation

3.2. The Director of Culture Communities and Business Services will continue to apply downward pressure on costs, as far as practicable, to counter the rising prices currently being experienced in the construction industry due to inflation and the shortage of capacity and resources. The current estimate is subject to inflationary increases up to the time of financial close and concluding a fixed price. The latest assessment of the uplift required is £320,000 including fees.

Revenue Projections

- 3.3. The intention is to market to a new customer base in terms of pay and play clientele while developing the experiences on offer to residential school customers. The predicted income has been based solely on the pay and play market, however there is likely to be additional growth in the organised group market looking for a quick fun activity i.e. birthday parties or corporate events.
- 3.4. The revenue projection was based upon realistic targets taking into account seasonal fluctuations. It is unlikely there would be visitors on site outside core business hours, this gives a total of 6 one hour session slots per day, per facility at maximum capacity.
- 3.5. Predictions are based on being open weekends all year round and all week during school holidays. This is on the basis that although school groups may use the facilities, it will not bring in any additional income in itself, however it is likely to contribute to increasing customer retention.
- 3.6. There will be an increase in the annual inspection costs with this expansion of facilities. The table below illustrates the anticipated additional revenue expenditure and predicted income through the activities alone. Secondary spend is not included in the table below as this will have no direct impact on the income or expenditure of Calshot Activity Centre, rather for HC3S the catering operator.

	(a)	(b)	(c)	(a+b-c)
Revenue implications	Employees	Other	Income	Net income
	£000	£000	£000	£000
Additional expenditure and income	0	5	53	-48

- 3.7. A Discounted Cash Flow table is contained within appendix D and demonstrates the estimated pay back period of the initial capital outlay of £320,000. The table is based on a combination of four pay and play activities being available in the times detailed above.
- 3.8. Modelling of varying uptake of each activity, at different price points, has been undertaken and it is believed to provide a relatively conservative estimate of the volume of people purchasing the activity sessions. For example, it is likely that demand for the Auto Belay element is believed to be higher than for Bouldering, and this has been factored in. However, it is also believed that having a 'critical mass' of activities available will appeal to a wider market, thus driving additional footfall to the centre over and above that which could be expected if only one activity was available.
- 3.9. It is acknowledged that promotional activity will be required to raise awareness of the new provision and this will be covered within business as usual expenditure. The CCBS marketing team have been engaged in the options appraisal process and are supportive of the proposals.
- 3.10. The financial modelling also includes an element of secondary spend, through the Café which is run by HC3S, a business unit of CCBS. While this income

will not be received directly by Calshot Activity Centre, Calshot will receive a proportion of any surplus generated through the Café as part of the contractual arrangement with HC3S.

3.11. The discounted cash flow shows the marginal impact on income and expenditure of moving to a model where the 4 pay and play activities described above are offered. Two alternative options have also been considered and are shown for comparison.

- Option 1 shows the loss of income from not replacing the existing bouldering facility when it reaches the end of its useful life. It is estimated that approximately £25,000 is currently generated per year from this activity.
- Option 2 shows the estimated effect of simply replacing the existing bouldering facility with a like-for-like replacement. This would protect and slightly increase current income levels through group bookings and recreational climbing, but would not have the same impact as the proposed full pay and play offer.
- Option 3 shows the recommended expansion to 4 pay and play activities as outlined in this report.

	Up front investment	NPV 5 years	NPV 6 years	NPV 10 years	Payback period (years)	Marginal annual impact on revenue budget (Year 3 onwards)
1. Do Nothing (close bouldering)	14,400	(127,276)	(147,614)	(222,315)	N/A	(25,000)
2. Replace bouldering only	74,400	(59,970)	(57,079)	(46,463)	N/A	3,553
3. New attractions and replace bouldering	316,800	(65,980)	(16,054)	167,331	7	61,373

3.12. As illustrated above, Option 3 demonstrates a payback period within 7 years and an annual positive impact on the revenue budget of £61,373 per year from Year 3 onwards (£52,993 excluding secondary income).

- 3.13. It is not recommended that either of the other two options are taken forward on the basis that they neither deliver a financial return or meet the strategic objectives of the Centre.

4. Consultation and Equalities

- 4.1. The following individuals and groups have been consulted during the development of this project and feedback is summarised in Appendix C:

Senior Management Team at Calshot and across the Service
Senior Instructors and other staff members of the centre/Service
Executive Member for Culture, Recreation & Countryside
Local Councillor
PSC Consultancy Ltd
A range of ropes course and climbing wall manufacturers and operators

5. Recommendation(s)

That the Executive Member for Culture, Recreation and Countryside:

- 5.1. Approves the project proposals for the development of play and play activities at Calshot at an estimated total cost of £320,000.
- 5.2. Approves the inclusion of the project in the 2017/18 Policy and Resources Capital Programme.
- 5.3. Grants procurement and spend approval for contracting activity associated with the project.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

An EIA has been completed for this project and it is deemed that the proposal will have a positive impact in providing access to the centre and its facilities for many groups.

<http://www3.hants.gov.uk/rh-equalities.htm>

2. Impact on Crime and Disorder:

2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime and disorder in the County.

2.2. These facilities will provide families with an opportunity to participate in activities together, increasing the family bond and reducing the likelihood of antisocial behaviour.

2.3. There are longer term opportunities to engage with meaningful activities at Calshot having the interest with the initial short adrenalin experience

3. Climate Change:

3.1. The project will incorporate the following sustainability features:

Housed in an existing facility – no new build or loss of green space
Large proportion of materials can be recycled at end of life
Little / no energy consumption, beyond existing lighting during use

FEEDBACK FROM CONSULTEES:**OTHER FORMAL CONSULTEES:**

Member/ Councillor	Reason for Consultation	Date Consulted	Response:
Councillor Gibson	Executive member for Culture, Recreation and Countryside	17/10/17	Councillor Gibson is very supportive of the project, particularly in light of the Fawley Waterside development and associated increase in housing, local to Calshot.

Member/ Councillor	Reason for Consultation	Date Consulted	Response:
Councillor Alexis McEvoy	Local member for South Waterside	13/10/2017	Councillor McEvoy is also very supportive of the project.

Cash flow predictions

The tables below illustrate the discounted cash flow predictions of the 3 options considered.

1. Do Nothing (close bouldering)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Investment	0										
Demolition	-12,000										
Contingency	-2,400										
Running costs											
Income		-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000
Secondary spend (net)											
Net position	-14,400	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000	-25,000
Cumulative net position	-14,400	-39,400	-64,400	-89,400	-114,400	-139,400	-164,400	-189,400	-214,400	-239,400	-264,400
Discount factor	£1.00	£0.97	£0.93	£0.90	£0.87	£0.84	£0.81	£0.79	£0.76	£0.73	£0.71
Discounted cash flow	-£14,400	-£24,155	-£23,338	-£22,549	-£21,786	-£21,049	-£20,338	-£19,650	-£18,985	-£18,343	-£17,723
Cumulative discounted cash flow	-£14,400	-£38,555	-£61,892	-£84,441	-£106,227	-£127,276	-£147,614	-£167,264	-£186,249	-£204,592	-£222,315
Discount factor	3.50%										

2. Replace bouldering only	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Investment	-50,000										
Demolition	-12,000										
Contingency	-12,400										
Running costs		-500	-500	-500	-500	-500	-500	-500	-500	-500	-500
Income		2,131	2,632	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007
Secondary spend (net)		742	916	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046
Net position	-74,400	2,373	3,048	3,553	3,553	3,553	3,553	3,553	3,553	3,553	3,553
Cumulative net position	-74,400	-72,027	-68,980	-65,426	-61,873	-58,320	-54,767	-51,214	-47,661	-44,108	-40,555
Discount factor	£1.00	£0.97	£0.93	£0.90	£0.87	£0.84	£0.81	£0.79	£0.76	£0.73	£0.71
Discounted cash flow	-£74,400	£2,293	£2,845	£3,205	£3,096	£2,992	£2,890	£2,793	£2,698	£2,607	£2,519
Cumulative discounted cash flow	-£74,400	-£72,107	-£69,262	-£66,058	-£62,961	-£59,970	-£57,079	-£54,287	-£51,589	-£48,982	-£46,463
Discount factor	3.50%										

3. New attractions and replace bouldering	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Investment	-252,000										
Demolition	-12,000										
Contingency	-52,800										
Running costs		-4,700	-4,700	-4,700	-4,700	-4,700	-4,700	-4,700	-4,700	-4,700	-4,700
Income		37,562	46,384	52,993	52,993	52,993	52,993	52,993	52,993	52,993	52,993
Secondary spend (net)		9,271	11,448	13,079	13,079	13,079	13,079	13,079	13,079	13,079	13,079
Net position	-316,800	42,133	53,133	61,373	61,373	61,373	61,373	61,373	61,373	61,373	61,373
Cumulative net position	-316,800	-274,667	-221,534	-160,162	-98,789	-37,416	23,956	85,329	146,702	208,074	269,447
Discount factor	£1.00	£0.97	£0.93	£0.90	£0.87	£0.84	£0.81	£0.79	£0.76	£0.73	£0.71
Discounted cash flow	-£316,800	£40,708	£49,600	£55,355	£53,483	£51,674	£49,927	£48,238	£46,607	£45,031	£43,508
Cumulative discounted cash flow	-£316,800	-£276,092	-£226,492	-£171,137	-£117,654	-£65,980	-£16,054	£32,185	£78,792	£123,823	£167,331
Discount factor	3.50%										

Assumptions

Total days

For the purpose above, weekends, school holidays and bank holidays have been included. It is not anticipated the pay and play facilities will be open on non-holiday weekdays.

No additional income has been accounted for at this stage for increased group bookings such as birthday parties as these will simply serve to increase the uptake of the provision.

Increased recreational climbing

No additional income has been accounted for at this stage for increased recreational climbing as a result of modernised and improved facilities, and the re-branding and marketing associated with the development.

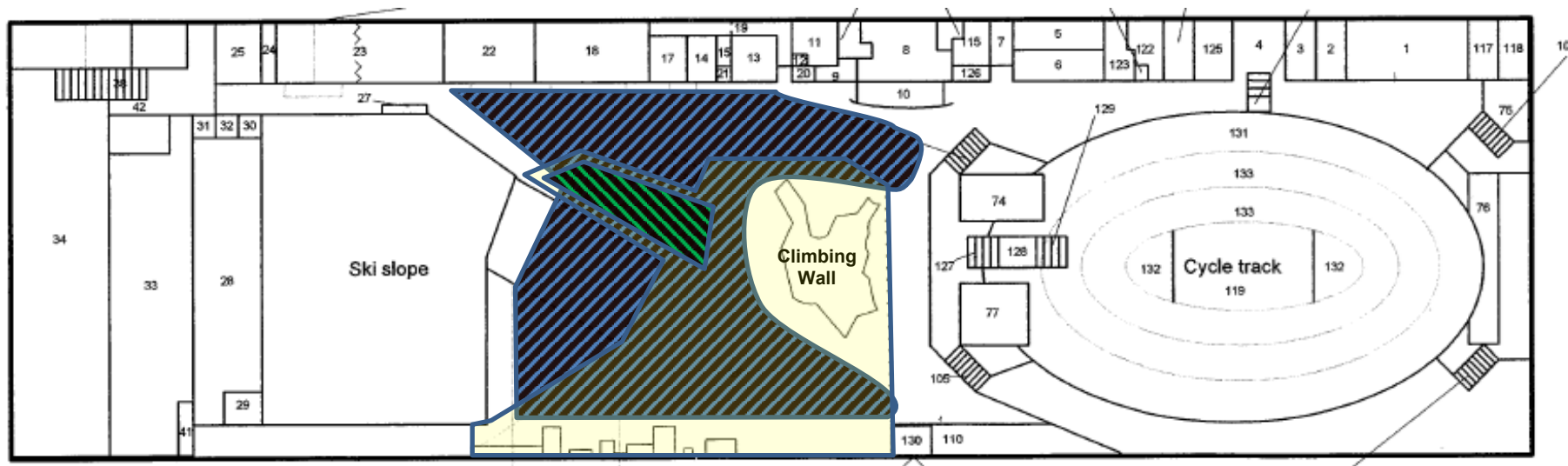
Increasing entry fees

The model does not take into account raising entrance fees over time e.g. in line with inflation. Prices will be evaluated on an annual basis and will factor in market conditions and local demand.

Staffing

Peak demand for pay and play is when the schools residential business is quieter, e.g. school summer holidays, thus much of the staffing will be picked up within this capacity. Seasonal fixed term posts could be used to deal with peak demand if required but again this would be evaluated based on levels of demand and income generated.

Calshot Activities Centre – Sunderland Hangar Schematic of proposed location



Key

Existing climbing wall area

Existing bouldering wall

Potential area to be developed as pay

Sample Images of activities:

Auto Belayed climbing



Aerial Trekking



Bouldering

