

RIVIERA INTERNATIONAL CONFERENCE CENTRE

BUSINESS PLAN 2015 - 2019

Conferences and Leisure

WAVES LEISURE POOL • LIFESTYLE HEALTH & FITNESS SUITE • AQUA LOUNGE
EVENTS • PARTIES • MEETINGS • CATERING



RIVIERA CENTRE



RIVIERA
INTERNATIONAL
CONFERENCE
CENTRE
TORQUAY

Riviera International Conference Centre

Business Plan 2015-2019

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1. EXECUTIVE SUMMARY

This Business Plan and financial report covers actual, forecast and budgeted figures for the period 2014/15–2018/19. The document also highlights the continued importance of the Riviera International Conference Centre (RICC) as an asset to both the local community and the local economy by way of:-

- ➡ Providing facilities for leisure and events to the local community.
2014/15 saw record numbers across the leisure facilities with a total 243,013 visits, as well as hosting a total of 352 individual events, generating a total of 63,015 visitors to events.
- ➡ Providing facilities for leisure tourists, in particular a wet weather facility which is not only used by tourists staying in Torbay, but creates day visits from tourists staying outside of the area.
In August 2015 we welcomed 1,400 swim visits in one day.
- ➡ Providing event facilities which create an injection into the local economy from the income generated through business tourists and event visitors.
Delegate spend in the local economy is estimated to be around £30million over the last 4 years. Looking forward, it is estimated that, for 2015/16 and forthcoming years, the estimated annual figure will be in the region of £7-8million.

Over the last 3½ years the Centre has been managed in such a way as to allow for considerable reductions in the required subsidy from Torbay Council, to such an extent that the revenue grant of £395k for 2016/17 will mark the lowest point of funding required by the Centre in its history.

The table on page 8 demonstrates the pattern of funding in detail, in particular it highlights that since 2011/12 the subsidy has reduced from £857k (£949k if adjusted to RPI) to the proposed £395k for 2016/17 (a reduction of 54% over 5 years).

As well as enabling the reduction in Council funding, the company plans to continue with its programme of repair and replacement of vital plant and equipment. At the same time, the Board are confident that modest reinvestment projects in areas of the business with the potential to deliver a return on investment will remain feasible – further detail can be found on page 6.

The Board have identified numerous funding opportunities that would have been available to the Centre; however, have not been able to take advantage of these due to the short period of time left on the current lease. These funding opportunities would enable the Centre to undertake some major reinvestment projects which would provide a large return on investment, thus further reducing the Centre's reliance on the Council. Therefore, it is essential the Company is granted a 40-year lease.

2. FACILITIES, SERVICES, CONSTITUTION & STAFFING

The Centre provides the following facilities:

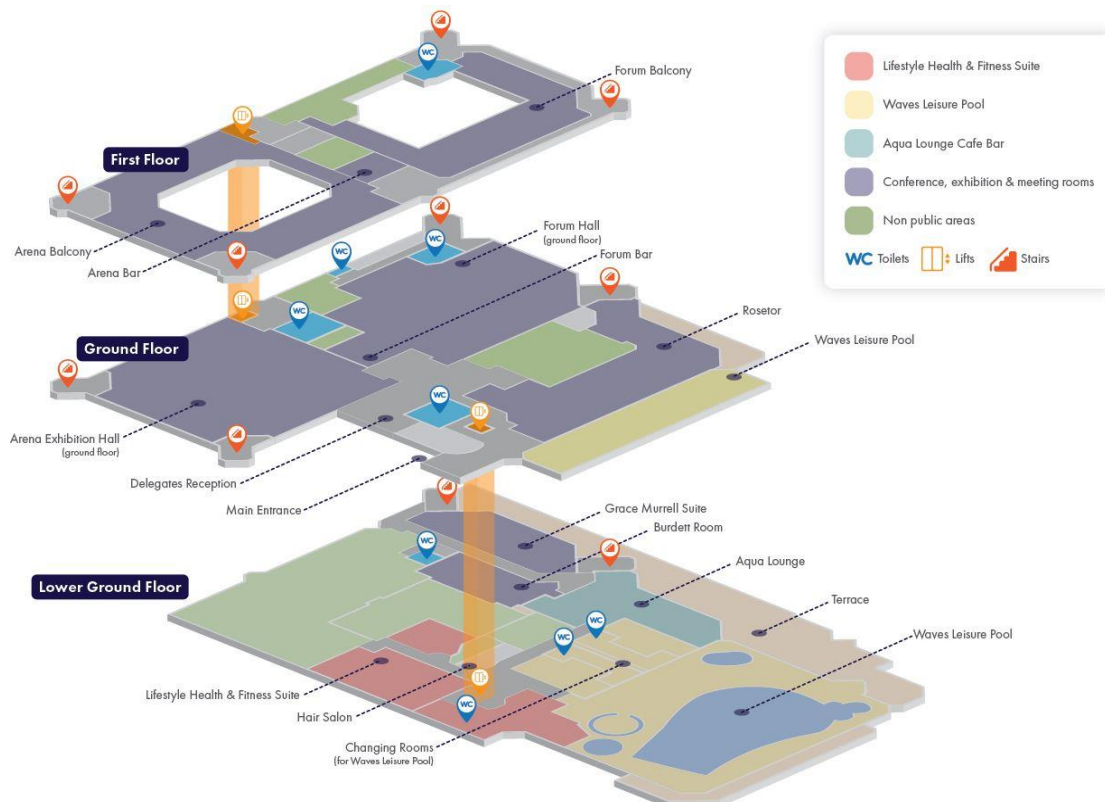
2.1 Conference and Events

The RICC offers a bespoke venue to support the Business Tourism industry with the provision of the following:-

- **Forum:** main auditorium – 1,500 theatre seating capacity, 2,000 standing capacity
- **Arena:** exhibition hall – total of 1,750 sq m of floor space, banqueting capacity of up to 800
- **Rosetor:** large meeting/function room – 350 theatre seating capacity, up to 250 for dinner, 700 standing capacity
- **Burdett:** meeting room – 200 theatre seating capacity, 180 sq m floor space
- **Grace Murrell Suite:** meeting/function room(s) – 200 theatre seating capacity, up to 100 for dinner, 300 standing capacity (can be sectioned off into 2, 3 or 4 separate meeting rooms)
- **Kitchen facilities:** able to support banquets of up to 1100 people. Also able to offer extensive **Outside Catering** for events & private functions

2.2 Leisure

- **Waves Leisure Pool:** provides a valuable swimming facility for the Bay – 25m Fun Pool with wave machine, flume and children's play area with associated changing accommodation and party venue
- **Lifestyle Health Club:** 60 station Gym with sauna, steam room and jacuzzi, hair studio, 19 station cardio bike room, aerobics, dance and exercise studio
- **Aqua Lounge Cafe/Bar:** 102 covers café primarily supporting the leisure business, with a children's soft play feature and a south facing terrace offering a further 60 covers.



2.3 Staffing

The RICC plays an important role as a local employer, offering regular full and part time employment to 89 employees – which equates to 59 FTE. However, due to the nature of the business and the size of some of the events held at the Centre, this number can grow to as many as 150.

2.4 Conference English Riviera

The RICC maintains an active Conference Bureau representing business tourism for the English Riviera. The Bureau offers a vital accommodation service to delegates, with a partnership scheme consisting primarily of Torquay accommodation providers.

Conference English Riviera also carries out marketing activities relating to business tourism and maintains a dedicated website for the destination.

In maintaining a Bureau for the destination, we have secured a share of funding from the South West Tourism Fund (the Business Visits and Events strand) which will finance, or part finance, activities relating to the marketing of the destination – for example, funding attendance at industry events.

2.5 Constitution and Lease

The Company is constituted as a not-for-profit organisation formed in 2002. No payment is made to non-executive Directors. The benefit of this form of constitution is the relief of Business Rates, which is worth approx £250k pa to the company, and VAT exemption on leisure activities, which in 2015/16 is worth approx £180k pa.

The building is owned by Torbay Council and leased to the Company. The Centre Lease/Management Agreement has a further 3 years to run from April 2016, with provision in the Agreement for continued revenue support from the Council throughout this period.

Given the long term nature of the Business and the inability to attract grants due to the short term nature of the remaining lease, the Company is requesting either an extension to the current lease, or the grant of a new term from the Council of up to 40 years.

3. ANALYSIS OF 2014/15 KEY ACHIEVEMENTS, PERFORMANCE & RESULTS

3.1 Conference and Events

- 21 multi day events (those that generate sleeper nights) took place at the Centre in 2014/15
- These events were attended by approximately 16,000 delegates
- Delegate sleeper nights were estimated to be around 21,000 – generating economic benefit to the Bay of approximately £4.5m*

**The Centre uses a modified version of research undertaken in 2006 by the four National Tourist Boards about the value of conferences and events. This assessed the value of Association events at £221 per sleeper night. The value for Torbay was adjusted to 86% of the national rate at £191, to reflect local conditions. This was updated to reflect current values in 2010 at +12.5% = £215 per sleeper night. No further national research into this has yet been undertaken by the industry so we are continuing to use this formula.*

In addition to the above-mentioned major events, during 2014/15 the Centre also hosted:-

- 63 large events – 1 day events of over 200 visitors – including catering, entertainment, large meetings
- 44 other events of 100-200 visitors
- 225 smaller meetings – including those held by Torbay Council, Torbay NHS Local Commissioning Group and Local NHS Trusts
- Over 2,000 covers for Christmas parties
- Total number of visitors to events was 63,015

3.2 Leisure

3.2.1 Waves Leisure Pool

- 117,372 swims took place in the pool last financial year 2014/15 (average for last 3 years: 110,642)
- 210 swimming lesson sessions took place per week (average for last 3 years: 205)
- 88 private hires were also secured

Waves continues to support a number of social inclusion initiatives for the area by offering the following concession/discounted rates:-

- Registered Disabled and Registered Carers - 1101 last year
- DeCIDE ID - Directory of children with disabilities
- Library & Leisure Card – 2374 last year
- NHS
- Torbay Holiday Helpers Network
- Under 3s go free
- Support 'Local' Charity Letters

3.2.2 Lifestyle Health Club

- Average membership for 2014/15 at 1154 – (approx. one third being 50+ members)
- Member visits in 2014/15 were 93,000 and Non-member visits 9,694; visits to studio and other classes were 4,000; giving a total of 106,694 visits (average for last 3 years: 98,093)
- More than 747 people have participated in the GP Referral Scheme to date, with 404 completing the scheme and 270 becoming members
- The junior membership scheme is continuing to do well with 125 14-15 year olds joining throughout 2014/15, helping to develop a healthier lifestyle for this age group

The RICC also supports the following schemes:-

- Weight Management Course (Pool & Lifestyle)
- GP Referrals Scheme (Pool & Lifestyle)
- English Riviera Attractions Passport

3.3 Investments and Improvements

Over the last 18 months, the Company has been able to maintain a staggered and modest programme of investments and improvements in various areas of the business. Some of these items have been in areas that will generate a direct return on investment, and some relate to the replacement or repair of vital plant/machinery/equipment. Some of the major items are detailed on the following table:-

| Item/area | Cost | Detail |
|-----------------------------------|-----------------------|--|
| Refurbishment of café/bar | £110k | The Aqua Lounge re-opened in Feb 2015, including investment in Starbucks coffee – year to date income is up 31% |
| Part replacement of gym equipment | £57k (half leased) | Treadmills, cycles, cross trainers – replacing previous 10 year old equipment. Lifestyle income up 32% year to date. |
| Pool sand filters | £11k | Empty, clean, repair, refill pool water sand filters – recommended to be carried out every 5 years, we had already gone beyond this. |
| Servers | £8k | Old servers had reached a point where they could no longer support certain software. |
| CCTV | £25k | The quality of the previous system had become so poor that concerns had been raised regarding poor coverage and undistinguishable footage – as well as becoming expensive to maintain |
| Cold water pump set | £15k | Regulates pressure for the water supply of the whole Centre – producing a significant saving of water. Back up pumps had failed, a warning had been received that the one remaining pump could fail at any time. |

In June 2015, a small fire devastated the Main Kitchen and caused serious damage to surrounding areas, including significant water damage to areas beneath from activated sprinklers. Whilst this led to a challenging period, the Centre remained open and traded 'normally' throughout a considerable reinstatement project which is due for completion in late Nov 2015. As a result of the fire and the subsequent claim, the following items of refurbishment have been completed:-

| Area | Value |
|--|---------|
| Completely refurbished and refitted Main Kitchen | 375,000 |
| Forum re-carpeted | 26,000 |
| Rosetor re-carpeted and re-decorated | 45,000 |
| Aqua Lounge kitchen refurbished | 20,000 |
| Aqua Lounge toilets refurbished | 30,000 |
| Sunbed suite | 15,000 |

4. BUSINESS PROSPECTS FOR 2016 & BEYOND

4.1 Conference and Events – Assumptions and observations

- National research suggests that confidence continues to return to the Conference/Events Industry
- Current year 2015/16: 25% increase in projected income from Conference & Events – with an estimated economic benefit of £8m
- Economic benefit from events in 2016/17 is estimated at £7.2m. **Thus the Council's subsidy for conference and events in 2016/17 of c£263k (ie two thirds of the 16/17 total subsidy of £395k) is multiplied approximately 27 times in the local economy**
- Continued consistent repeat business is testament to RICC quality and service standards.
- An estimated **105,000** delegate nights are forecast over the next 3 financial years – with an estimated economic value of **£22.5m**
- The following are some of the major event highlights for the coming 18 months:-
 - Chartered Institute of Housing
 - Devon Women's Institute Spring Council
 - National Federation of Retail Newsagents
 - British Deaf Association
 - National Association of Retired Police Officers
 - National Hip Hop Championships
 - UNESCO International Global Geoparks Conference
 - Difficult Airways Conference (Association of Anaesthetists)
 - Federation of Small Businesses Annual Conference
 - The Quilters Guild of the British Isles
 - National Federation of Young Farmers

The RICC is a long term business. Forward bookings/enquiries for **major events** as at November 2015 for the last, current and following 2 years are forecast as follows:

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|------------------------------|--------------|------------|--------------|--------------|
| Major Events | 21 events | 22 events | 21 events | 18 events |
| Total delegates | 16,000 | 18,800 | 17,300 | 16,100 |
| Estimated sleeper nights | 21,000 | 37,000 | 33,300 | 35,900 |
| Approx Economic Value | £4.5m | £8m | £7.2m | £7.7m |

4.2 Leisure

The Leisure business remains stable, consistent and on an encouraging growth projectory.

- Health Club business is vibrant and continuing to grow, with current income, net profit and member numbers at a record high
- Plans and designs are being considered for an expansion of the Health Club
- Attendance at cardio cycling and studio classes remains high and is forecast to increase further
- Whilst intermittent, mainly due to weather patterns, the Leisure pool usage is at an all-time high
- Consideration of further investment in pool features (payback of 2012/13 investment was achieved in 6 months)

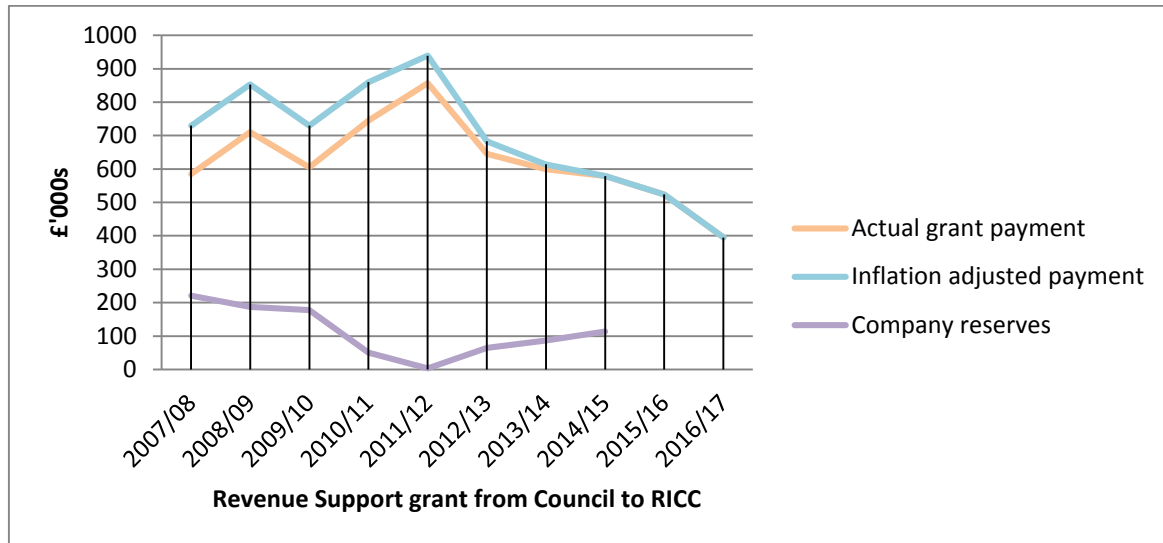
5. HIGH LEVEL FINANCIAL SUMMARY

5.1 Financial support from the Council

The table below illustrates the level of financial support provided by the Council from 2007/08 to 2016/17. The Business, in common with similar institutions nationwide, has always required financial support from the Council to sustain both the economic and community benefits which are derived from its use. Prior to 2012, the amount required had increased significantly, primarily due to escalating running costs.

| Year | Revenue grant | Additional grant | Total Revenue Grant Actual | <i>Grant in today's terms adjusted by RPI</i> | Reserves at year end |
|--|---------------|-------------------|-----------------------------------|--|----------------------|
| 07/08 | £585,300 | | 585,300 | <i>740,000</i> | 221,350 |
| 08/09 | £585,000 | 125,000 | 710,000 | <i>861,000</i> | 181,250 |
| 09/10 | £605,000 | | 605,000 | <i>743,000</i> | 178,240 |
| 10/11 | £620,000 | 125,000 | 745,000 | <i>868,000</i> | 49,830 |
| 11/12 | £632,000 | 150,000 75,000 | 857,000 | <i>949,000</i> | 3,100 |
| Average | | | | <i>832,200</i> | |
| New RICC Board as of April 2012 | | | | | |
| 12/13 | £645,000 | | 645,000 | <i>690,000</i> | 64,851 |
| 13/14 | £599,000 | | 599,000 | <i>623,000</i> | 87,343 |
| 14/15 | £579,000 | | 579,000 | <i>588,000</i> | 112,988 |
| 15/16 | £524,000 | | 524,000 | <i>524,000</i> | - |
| 16/17 | £395,000 | | 395,000 | <i>395,000</i> | - |

Council Grant Support to the RICC 2007-2017



The Council's revenue support of the Company has been on a downward trend since 2011/12, from £949k*, to £395k in 2016/17

* Figure adjusted for RPI

Rationale for Council Subsidy

The need for subsidy arises as a result of 3 key factors.

1. The vast majority of other venues attract events through subvention (subsidy per delegate attracted) from the Local Council. Torbay has to compete with subvention in the deals it makes with promoters of events.
2. The peripherality of Torbay relative to other conference centres means events have to be subsidised/quoted at a more competitive price to secure the conference and the associated economic benefit.
3. Municipal Leisure facilities do not cover operating costs particularly in the case of swimming pools. In addition, RICC offers discounts to support social inclusion initiatives, and in addition must remain competitive in all other areas of pricing.

5.2 Financial Forecast 2015/16 – 2018/19

Assumptions going forward

- Continued recovery and development of Conference and Events sales
- Successful refurbishment and re-launch of Lifestyle by 2018/19
- Consistent and stable revenues from both Leisure streams
- Continued aggressive controls of costs
- Implementation of Marketing initiatives
- Continued modest investment in areas of the business that will produce a return
- April 2016 – implementation of the living wage
- Subsequent annual minimum/living wage increases in wages and pensions c3%
- Increase in prices of 5%

The table on the following page sets out a forecast of expected income, expenditure and profit for previous, current and forthcoming years.

| Years to 31 March | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Forecast | Budget | Budget | Budget |
| | £ | £ | £ | £ | £ |
| Turnover | | | | | |
| Leisure | 1,246,472 | 1,289,383 | 1,314,940 | 1,380,687 | 1,569,721 |
| Conference | 843,110 | 1,086,532 | 1,068,329 | 1,117,505 | 1,171,880 |
| Other | 23,080 | 12,892 | 16,550 | 13,800 | 13,800 |
| Total Turnover¹ | 2,112,662 | 2,388,807 | 2,399,819 | 2,511,992 | 2,755,402 |
| | | | | | |
| Cost of Sales | | | | | |
| Leisure | 153,891 | 151,222 | 158,842 | 166,784 | 175,123 |
| Conference | 203,887 | 273,375 | 268,531 | 282,078 | 296,301 |
| Total Cost of Sales | 357,778 | 424,597 | 427,373 | 448,862 | 471,425 |
| | 16.9% | 17.8% | 17.8% | 17.9% | 17.1% |
| Gross Profit | | | | | |
| Leisure | 1,092,581 | 1,138,161 | 1,156,098 | 1,213,903 | 1,394,598 |
| Conference | 639,223 | 813,157 | 799,798 | 835,427 | 875,579 |
| Other | 23,080 | 12,892 | 16,550 | 13,800 | 13,800 |
| Total Gross Profit | 1,754,884 | 1,964,210 | 1,972,446 | 2,063,130 | 2,283,977 |
| | 83.1% | 82.2% | 82.2% | 82.1% | 82.9% |
| | | | | | |
| Wages & Salaries | 1,245,721 | 1,298,349 | 1,298,073 | 1,324,034 | 1,380,515 |
| | 59.0% | 54.4% | 54.1% | 52.7% | 50.1% |
| | | | | | |
| Administrative expenses | 1,082,021 | 1,129,102 | 1,063,214 | 1,116,375 | 1,154,530 |
| | 51.2% | 47.3% | 44.3% | 44.4% | 41.9% |
| | | | | | |
| Trading loss | (572,858) | (463,241) | (388,841) | (377,279) | (251,068) |
| | -27.1% | -19.4% | -16.2% | -15.0% | -9.1% |
| | | | | | |
| Revenue Grant from Torbay Council | 579,000 | 524,000 | 395,000 | 395,000 | 250,000 |
| | | | | | |
| Amortisation of Grants | 19,503 | 11,999 | 11,999 | 11,999 | 11,999 |
| | | | | | |
| (Loss)/Profit before Taxation | 25,645 | 72,758 | 18,158 | 29,720 | 10,931 |
| | 1.2% | 3.0% | 0.8% | 1.2% | 0.4% |
| | | | | | |
| FTE Staff Numbers | 70 | 59 | 59 | 59 | 61 |
| Weekly Staff Numbers | 65 | 60 | 60 | 60 | 62 |
| Monthly Staff Numbers | 27 | 29 | 29 | 29 | 29 |

6. CONCLUSION

The Board is confident that, with the continued scrutiny of staffing and running costs, the figures in the preceding table are achievable.

However, achieving a business model that can successfully operate on the budgeted reduction in funding cannot only be achieved through the reduction in costs, but the Board is confident that the expansion of the Health Club will become feasible and will in turn produce a swift return on investment, and that at the same time visitor numbers and usage of the swimming pool will remain high.

There is also a level of confidence relating to the Conference & Events side of the Business, and it is forecast that we will continue to see small increases through that revenue stream (and hence an increase in the subsequent economic benefit).

It is however important to point out that a significant increase in Conference bookings will be heavily influenced by:-

- ➔ The continued development of Torquay and surrounding areas
- ➔ The continued improvement and development of the Hotel stock in Torbay
- ➔ The company's ability to continue to reinvest in the facilities, plant and building

Whilst the financial details shared in this Business Plan include many new initiatives, the Board and Management have identified additional ways to increase and create new revenue streams, along with further cost reductions, which are currently being formulated into an Action Plan and will be included in future financial plans submitted. Furthermore, should the Company be granted a new 40-year lease, it will be able to undertake some major reinvestment projects with higher ROIs which will further reduce the reliance on Council funding in the future.

Obtaining a 40-year lease, along with the loyal support of Torbay Council and the local community, is essential to the future success of the Riviera Centre.