

Report to: Executive Board – 28 February 2005

ACTIVE ENGLAND PROJECT at BLACKBIRD LEYS LEISURE CENTRE

Report of:	<i>Sharon Cosgrove Strategic Director, Physical Environment</i>	WARDS AFFECTED All
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Lead Member Responsible:	<i>Cllr. Bill Baker, Port Folio Holder for Procurement</i>	
Overview and Scrutiny Committee Responsibility:	<i>Community</i>	
Key Decision:	<i>Yes</i>	
SUMMARY AND RECOMMENDATIONS		
<p>In March 2004 a bid was submitted to Sport England, for the Active England Programme. The aim of this programme is to encourage those who would not normally participate in sports to do so. Sport England have awarded the City Council the largest single award in the South East Region to deliver this project.</p>		
<p>The aim is to provide a high quality and affordable range of community based activities at the centre and an outreach service to other areas of the City.</p>		
<p>The grant funding allocated is for £498,289 capital and £255,000 revenue in order to establish a 'Well Being Hub' at Blackbird Leys Leisure Centre.</p>		
<p>This report seeks Major Project Approval for the project from the Executive Board to enable the project to proceed.</p>		

The bid supports the Council's vision through working with others to improve the environment and to provide more and improved affordable leisure activities.

The bid supports the Oxford Community Strategy through contributing to developing an active and healthy community and a safer community.

The estimated capital and revenue costs of the project under the various options for delivery are outlined in the Annex 1

The immediate staffing implications are set out in Section 6 of the report.

The Executive Board is ASKED to:

- a) Consider the report and decide if it wishes to continue through the stage 2 submission to Sport England for the Active England project.**
- b) If appropriate to approve Option 1 for continuation and to grant Major Project Approval for that option, subject to a Project Initiation request to the Capital Appraisal Panel.**
- c) To authorise the expenditure of the capital and revenue sums associated with the chosen option.**
- d) In the event that the Executive Board decides to progress this project under a) and b) above, to authorise the Strategic Director (Physical Environment) to undertake an appropriate selection process which would result in the appointment of project managers tasked with ensuring that the project advances properly and on time up to construction contract award stage and thereafter an appropriate building contractor to undertake construction. In the event that the Strategic Director (Physical Environment) takes the view that the only practical way to implement either such selection process would be to use the Negotiated Procedure as set out in para 9.05 of the Council's Contract Regulations, then to authorise the said Strategic Director to use the said Negotiated Procedure for this or these purposes.**

1. BACKGROUND

- 1.1 In March 2004 an outline bid was submitted to Sport England, for the Active England Programme. The aim of this programme is to encourage those who would not normally participate in sports to do so.**

- 1.2. Sport England considered the bid to have sufficient potential to proceed to Stage Two of the bidding process and in August 2004 the Executive Board agreed that Officers should develop the proposals further.
- 1.3 On 20th October Sport England wrote to confirm that they would fund the project, subject to a number of terms and conditions. These included:
 - The Council confirming the availability of it's own funding for the scheme.
 - The provision of further information on the Operational Business Plan
 - The provision of further information on sustainability including 5 year Income and expenditure projections
 - Demonstration of a clear link between the Capital and revenue elements of the Project.
- 1.4 Officers have now produced this additional information, which forms a part of this Major Project Appraisal.

2. OBJECTIVES

- 2.1 The bid supports the Council's vision through working with others to improve the environment and to provide more and improved affordable leisure activities. It also supports the Oxford Community Strategy though contributing to developing an active and healthy community and safer community.
- 2.2 The bid also meets the objectives contained in the Neighbourhood Renewal and Leisure Business Plans, in particular the management and development of the Authority's sports development role and in ensuring that services meet the needs of those residents who are usually most excluded. In this case the bid focuses on the needs of young people, older people and ethnic minority women – although it is not exclusive.
- 2.3 A recent strategic assessment of leisure and community facilities undertaken to inform the emerging Leisure Facilities Strategy has identified the relevance of a major facility in the South of the City.
- 2.4 The centre itself has been subject to an operational review to look at better use of the facility. This has identified amongst a range of issues that better use could be made of Blackbird Leys Leisure Centre in terms of meeting the needs of local users and increasing participation rates. The opportunity to bid as part of the Active England programme for new investment into the facility has therefore proven very timely and of strategic significance.

2.5 Specific Objectives of the project include:

- a) Increasing participation in sport and physical activity among current non- participants in Oxford.
- b) Creating an Outreach Team to develop opportunities for participation by socially excluded groups including young people, older people and black and ethnic minority women.
- c) Fostering Team spirit and Team working for those currently employed in agencies in sport and physical activity.
- d) Working with our partners in the Oxford City Primary Care Trust to promote increased levels of activity and exercise for health benefit.
- e) Working with our criminal justice and community safety partners; including the Youth Offending Team, Oxford Safer Communities Partnership and Thames Valley Police, to provide diversionary activities for those at risk of offending or completing Anti-social behaviour orders.
- f) Encouraging a culture of innovation and reflexive working practice as well as well as external evaluation of the project.
- g) Working with the Life Long Learning Partnership to provide a range of training opportunities.
- h) Providing a community café at the hub to increase community use of the facility by the target groups.

3. THE PROPOSED PROJECT

- 3.1 This project will consolidate, extend and enhance partnership work around health, sport, activity and well-being. The original proposal was centred on an extension to the Blackbird Leys Leisure Centre to provide a Community Hall which would be used for a programme of activity on top of the current centre activity.
- 3.2. In addition there would be an outreach programme to develop activities across the City. The activities will address identified barriers to participation in sports and leisure activities, including affordability, access and cultural difference. The outreach team and improved co-ordination of services will enable us to provide services to a wider range of people and those that we have previously been unable to reach.

3.3 The activities may include:

Centre Activities

- Women only salsa
- Dance
- Self defence classes
- Gentle Pilates
- Young parent activities: baby massage, tumble tots
- Events around Play Day
- Basic IT training courses /coaching training

Outreach activities

- New programme of mobile after school activities based on Sport4U model, kick abouts, street dance and street hockey – promoted by text message
 - Work with elderly lunch clubs and sheltered housing providers to extend the Keep Moving Programme
 - Building on the existing model of work with community groups to engage the numbers of women in physical activity
 - Development of the Walking Way to Health scheme, first steps to fitness and hand-holding buddy schemes.
- 3.4 The outreach activities will be available across the City although priority will be given to those areas with small pockets of deprivation and where there are opportunities to meet with the target groups (elderly lunch clubs, places where young people gather etc).
- 3.5 It is intended that the Outreach staff will be in place prior to the completion of building/ refurbishment work. The outreach work undertaken will then further inform the development of the activity programme.

4. OPTIONS AVAILABLE TO DELIVER THE PROJECT

- 4.1 The proposals in the outline bid were designed to both meet the criteria of the Active England Grant Programme and identified needs within the City. The community consultation carried out has informed the design of the project. The result is a new concept for the City and which builds on, and strengthens, existing project work and enables services to be co-ordinated more effectively and provide opportunities to share good practice. Using outreach to take services to the target groups should enable us to meet the bid requirements of increasing participation in sport and physical activity among excluded groups.
- 4.2 The original proposal to Active England was that the Project should consist of an extension to the Blackbird Leys Leisure Centre. This extension would be used for the activity programme as described above. In addition the Café and family area would be refurbished but the existing fitness room, which had been a planned capital item since 2002, would no longer go ahead under the original bid
- 4.3 At the time of the projects concept prior to submission there was also a possibility of including a training suite in the upstairs Bar Area. Although significant interest had been shown in this proposal from South East England Development Agency and Oxfordshire County Council, these proposals were not firm enough to form part of the application to Sport England.

- 4.4 Other centres were considered for development but the Blackbird Leys Leisure Centre is based in the Northfield Brook Ward which has the highest level of deprivation in Oxford City (by Super Output, Multiple Deprivation Statistics). This was important to meet the criteria for the bid. However, outreach workers would still provide a service to other areas of the City with pockets of deprivation and the places where the target groups gather.
- 4.5 Following the submission of the bid to Active England concerns were raised that the use of funding proposed would not allow for the refurbishment of the existing fitness room (the planned Capital expenditure for the refurbishment had been used as match funding for the Active England bid). Re-furbishment of this area had been a Capital planned item since 2002 and is an essential part of the leisure centre's future plans and improved financial performance from the centre's as a consequence of this refurbishment was already anticipated in future year budget projections.
- 4.6 Due to these concerns, the options available to the council for delivering the project were reviewed, specifically the opportunities to reinstate the fitness room re-furbishment as part of the overall scheme. A number of alternative options for delivering the project were considered
- 4.7 The following options were considered and appropriate income and expenditure projections produced accordingly.

Option 1 – Facility refurbishment including the bar and fitness room areas with an Community Hall extension built for new activity associated with the Active England project.

Option 2 – Facility refurbishment including the bar but excluding the fitness room areas with an Community Hall extension built for new activity associated with the Active England project.

Option 3 – Facility refurbishment, including the bar and fitness room but without the Community Hall extension. The existing upstairs bar area would be remodelled as the Community Hall to be used for the new activity associated with the Active England project.

Option 4 – Facility refurbishment, including the bar but excluding the fitness room and without the Community Hall extension. The existing upstairs bar area would be remodelled as the Community Hall to be used for the new activity associated with the Active England project.

- 4.8 Revenue projections for Options 2 and 4 produced outcomes which meant that the Leisure Centre was unable to improve its base operating performance to any great extent. This in turn produced large revenue deficits into years 4 and 5 if the Active England project was to

continue with such deficits being funded from increases in base funding to Neighbourhood Renewal or Leisure and Parks.

- 4.9 Officers have therefore focused on developing more detailed and robust capital and financial projections for Options 1 and 3 for Executive Board' s consideration.

5. CAPITAL and REVENUE FUNDING

- 5.1 Each of the options 1 and 3 produce slightly different capital and revenue implications and these are outlined below, however both options still carry some risk in financial terms at the end of the 3 year revenue funding stream.

CAPITAL EXPENDITURE

- 5.2 The Capital funding available consists of the allocations in the current Leisure and Parks capital programme and the capital grant offered by Sport England. These are presently:

• City Council capital	£ 618,300
• Sport England Capital grant	£ 498,280
Total capital currently available	£ 1,116,580

- 5.3 The Sport England contribution was set at 50% of the original proposed total capital expenditure submitted in the Stage 1 bid, ie £498, 280. In resubmitting an amended bid Sport England could in theory review their contribution however discussions with the regional office have been productive and they are willing to consider a revised proposal. At the time of writing this report that proposal, to include the gym refurbishment , was being prepared.
- 5.4 Since submission of the original proposal further work has been done on detailing the capital costs for each proposal and these are outline in the table below:

Option	Estimated Capital costs	Sport England Capital	City Council Capital	Total Capital available	Capital difference
Option 1	£1,041, 083	£498,280	£618,300	£1,116,580	-£75,497
Option 3	£920,403	£460,202	£618,300	£1,078,502	-£158,099

- 5.5 Therefore both of these options are affordable in capital terms provided that Sport England accept the revised submission in full and officers are negotiating with Sport England regarding the ability to vary from the

original scheme. As no review process had been planned for between Sport England and the New Opportunities Fund (the other joint funders) but some other schemes in the Region under the Active England programme are already failing, the acceptance of an alternative delivery method would appear likely.

REVENUE IMPLICATIONS

- 5.6 Revenue support for the project from Sport England is fixed at £255,000 over 3 years. This is revenue is supported by other funders who are contributing in cash or 'in-kind'.
- 5.7 In producing detailed revenue projections, so that Councillors can fully appreciate the funding implications of this proposal without it being clouded by the revenue funding at the Leisure centre, Officers have developed separate revenue projections for the Centre's development and that of the Active England project. These are detailed in the Annex.
- 5.8 In modelling the overall revenue effects for the Centre and the project both of the preferred capital investment options have been investigated individually. The effects of the gym refurbishment and the introduction of new programming to the leisure centre have been applied to identify the marginal financial benefits to the leisure centre and a separate business plan for the Active England specifically. The revenue effects of the preferred option is shown in the Annex and can be summarised as follows:

Option 1.

	Year 1 05/06 3 months	Year 2 06/07	Year 3 07/08	Year 4 08/09	Year 5 09/10	Year 6 10/11 9 months
Leisure Centre additional income	£8400	£53800	£59100	£66300	£66300	£49700
Active England net position	(£1700)	(£4900)	(£4900)	(£26100)	(£89900)	(£67,400)
Overall net revenue position	£6700	£48900	£54200	£40200	(£23,600)	(£17,700)

Summary

The preferred option produce a net operating surplus from the project after the three years of Sport England funding which builds reserves. In

the proposed format the project will generate a deficit from Year 4 onwards even after allowing for increased financial performance in the baseline of the leisure centre.

The operating surplus is based on income assumptions and if this income fails to materialise then the following options would need to be considered to prevent the project generating an ongoing deficit:

1. Increase budget allocation to the operation of the Leisure centre
2. Reduce staff costs by non-renewal of contracts
3. Introduce/increase charges for activities introduced through the project
4. A combination of any of these options.

However, consciousness of the need to maintain the activity outcomes in the funding bid will need to be considered carefully and negotiated with Sport England should any changes to the project be necessary to prevent a deficit emerging. Any failure to do so could result in the City Council being in breach of the conditions attached to the initial award and may result in the 'claw-back' clause being activated.

6. Impact on the Council's VAT position

- 6.1 This scheme will have an impact on the Council's VAT Partial Exemption calculation. As has been reported previously to the Executive Board, VAT from exempt activities cannot exceed 5% of the Council's total Input VAT without incurring financial penalties. This scheme alone is unlikely to push the Council over its VAT Partial Exemption limit for 2005-06 but it is planned to run concurrently with the building of Barton Pool. The exempt VAT from both these schemes will cause the Council to exceed its VAT limit in 2005/06 should no alternative arrangement be in place for exempt activities.
- 6.2 The proposals for managing exempt VAT from Barton Pool and the proposals to opt to tax on selected commercial properties should remove the problem in 2005/06. However, it may be necessary to consider opting to tax on Blackbird Leys Leisure Centre to ensure that the Council remains below its VAT Partial Exemption limit.
- 6.3 An option to tax means the Council applies VAT to the charges for some currently exempt activities, for example block bookings, which would result in either an increase in the charge to the service user or a reduction in the amount of income received by the Parks and Leisure Business Unit. An option to tax cannot be revoked for 20 years and would result in any sale or letting of the property being subject to VAT.

7. STAFFING CONSEQUENCES

- 7.1 Six posts will be created by the project. These are three-year fixed-term contracts. These posts will be subject to the Council's terms and conditions and will not be eligible for the Council's redeployment process. They will be managed by NRU, for the City Council. All costs for these posts are borne through project funds. No Oxford City Council mainstream funding will be used in regard to these posts.
- 7.2 Job descriptions will be confirmed by Human Resources. These job descriptions will need to be confirmed by Sport England. Advertising for the posts will follow normal Oxford City Council processes.
- 7.3 Line management of these posts will be through Community Development in NRU Oxford City Council.

8. CONSULTATION

- 8.1 The project was developed in a very short space of time. A working group was established which included officers from Neighbourhood Renewal and Leisure, the Area Co-ordinator, the then Portfolio Holder for Leisure and a representative from the Primary Care Trust and Oxfordshire County Council, Life Long Learning.
- 8.2 Discussions were held with a number of groups such as Leys Linx and Sure Start. It is proposed that further consultation will be done through the Area Committees and the Leys Facilitators Network. There will also be consultation with the target groups through Elderly Lunch Clubs and the PCT.
- 8.3 Further consultation is planned during the development of the activity programme, including with existing users, Area Committees and the target groups, through the Leys Facilitators Network. This work has been carefully planned so as not to raise expectations that the bid will automatically be successful, or agreed by the Council.
- 8.4 Community involvement in the ongoing design of the activity programme will be encouraged through a working group and through the outreach work.

9. MANAGEMENT ARRANGEMENTS

- 9.1 Neighbourhood Renewal Business Unit will manage the Active England Outreach programme and the Centre based activity programme will be managed jointly. A Steering group will be formed to monitor activity against the programme objectives.
- 9.2 The Leisure Centre will continue to be managed by the Leisure and Parks Business Unit. Facilities management costs are not expected to

increase markedly, except for additional cleaning and utility costs and these will be absorbed within a hire charge levied between the Centre's cost centre and the Projects cost centre. These are outlined in the financial projections and will be reviewed annually in line with the project reviews.

9.3 Neighbourhood Renewal Business Unity will be accountable for managing the Project but it is proposed that there will be a Project Management Board consisting of representatives from Leisure, Neighbourhood Renewal, Lifelong Learning and other partner agencies.

10. RISK MANAGEMENT

10.1 A number of current and projected risks exist with the project, notably around the timeframe for the building works and revenue funding for the project.

10.2 The major risks identified at the current time are outlined below. Maintenance of the Risk Register will be a component part of the PRINCE Project management methodology.

Risk	Likelihood	Impact	Action to mitigate
Project does not meet December 2005 build target	Low – if project building element starts in May 2005	High – possibility of losing SE funding	Ensure early as possible start date Use of delegated powers to proceed where appropriate. Employment of specialist project managers.
Sport England do not approve changes in delivery of capital programme	Low – other projects are already failing completely due to lack of funding	Medium/High – Option 1 becomes the only option acceptable but there may be a small capital shortfall	Discussion with SE Officers to assess potential for changes. These have indicated likelihood of acceptance of change providing original outcomes are not compromised.
3 year match funding targets are not met	Medium – 1 st year only confirmed at this stage	High – revenue position worsens severely if funders withdraw support	Liase with other match funding agencies to confirm subsequent years

			funding on a regular basis.
Current identified partners withdraw from the project	Low – if project outcomes are maintained. Medium – if project outcomes change significantly	Medium – High Project outcomes may suffer, particularly if ‘in kind ‘ support of specific expertise is withdrawn.	Delivery outcomes for each option clearly identified. Partner outcomes clearly identified and maintained Partners involved through management group as appropriate
Inability to recruit to posts	Low - Medium	Medium – some funding is ‘in kind’ and staff could be provided by partners	Ensure recruitment process is clearly defined.
Community disengagement	Low – Medium – good levels of community interest in the project	Medium – project outcomes will need to be reviewed as part of the ongoing monitoring and other outcomes can be identified.	Ensure that initial consultation findings are incorporated in the project’s programme. Ensure appropriate level of community involvement in the steering of the project
Loss of revenue funding at the end of the three years	Medium – High – large revenue deficits at end of year 3 without continuation of partner funding	Medium – High – project will be subject to increasing revenue deficits	Ensure staff contracts are fixed term Promote approach with partners to maintain partner funding Utilise increase in core Centre income to cross subsidise ongoing elements of the project.
Claw back of funding by Sport	Low – Medium – limited evidence of	High – Potential for capital repayment if	Ensure funder requirements are

England	this being enforced in other initiatives, although 21 year clause exists.	SE are unhappy with performance	met through development of KPI's. Experienced project administrator in place to oversee reporting. Maintain close links with Sports England
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11. PROCUREMENT METHOD

- 11.1 The initial capital estimate for the building element of the project was undertaken by Ridge in February 2004 as part of the work they were already doing for the Council's capital programme. This was necessary due to the extremely tight timeframe to prepare a stage 1 bid to the Active England initiative and funding for this came from the initial 5% development costs released by Sport England.
- 11.2 Once stage 2 approval has been granted the timeframe to complete the project remains onerous. The building must be completed by December 2005 to comply with Sport England criteria. This will require a start date no later than the end of May 2005 as all capital options are expected to have a similar timeline.
- 11.3 In order to adhere to this timeline it is proposed that the most effective procurement strategy for the project is via a traditional approach based on a single stage tender. The process is likely to follow a negotiated tendering procedure as set out at rule 9.05(a) of the Constitution.
- 11.4 The construction contract sum does not exceed the OJEC procurement threshold of 5 million euros (£3.5 million pounds).
- 11.5 It is also necessary to consider the appointment of appropriate project managers who will be tasked with ensuring that the project adheres to the timescale. To achieve this it is likely that it will be necessary to make this appointment by use of the negotiated procedure as set out in the Council's contract regulations.
- 11.6 The appointed project managers will assist the Leisure Capital Projects team in assessing the tender returns and a proposed award of contract will be based on the assessment criteria used for the Ferry Centre project.
- 11.7 In order to ensure that the project remains on time, and subject to Executive Board indication on the appointment of project managers it is

further proposed that the Strategic Director (Physical Environment) will authorise contract award using delegated powers.

12. SUMMARY AND RECOMMENDATIONS

- 12.1 The Active England submission at stages 1 and 2 were subject to a very difficult timeframe and completing the requirements to get to the current point has been onerous for officers. However we are now in a position where the options for delivery have been honed down to the one that presents a reasonable prospect of sustainability.
- 12.2 The options to refurbish or extend the leisure centre without the gym refurbishment is not feasible due to the high risks on revenue funding to continue the project once the 3 year revenue support grant is terminated. This in turn could put the Council at risk of 'capital clawback' under the terms and conditions of the proposed grant award and for that reason these options are not being pursued.
- 12.3 If Sport England approve the re-submission then Option 1 is preferred, there will be no requirement for more capital funding from the Council and the revenue implications are favourable in ensuring the projects sustainability
- 12.4 If Sport England disallow the gym expenditure for match funding purposes then to proceed with the original project and the gym refurbishment would require an extra £30,000 of capital over and above that allocated in the capital programme but would give the same revenue implications. Alternatively Option 3 could be chosen which allows for a reduction in Sport England funding yet still allows for adequate capital funding overall with the same revenue implications.
- 12.5 Members are requested to inform Officers of their preferred option for delivery under the Active England initiative and to:
- a) To authorise the expenditure of the capital and revenue sums associated with the chosen option.
 - b) In the event that the Executive Board decides to progress this project under a) and b) above, to authorise the Strategic Director (Physical Environment) to undertake an appropriate selection process which would result in the appointment of project managers tasked with ensuring that the project advances properly and on time up to construction contract award stage and thereafter an appropriate building contractor to undertake construction. In the event that the Strategic Director (Physical Environment) takes the view that the only practical way to implement either such selection process would be to use

the Negotiated Procedure as set out in para 9.05 of the Council's Contract Regulations, then to authorise the said Strategic Director to use the said Negotiated Procedure for this or these purposes.

THIS REPORT HAS BEEN SEEN BY:

Sharon Cosgrove, Strategic Director Physical Environment.
Val Johnson, Business Manager, Neighbourhood Renewal
Tony Stephens, Business Manager, Leisure and Parks
Claire Reid, Financial and Asset Management
Lindsay Cane, Legal Services
Anne- Marie Scott, Business Manager, Human Resources

Cllr Bill Baker, Portfolio Holder for Procurement

Background papers:

Active England Bid to Sport England