

# Executive

## Sport Centre Modernisation – End of Project Appraisal

7 June 2010

### Report of Strategic Director, Environment and Community

#### PURPOSE OF REPORT

To provide an end of project report for the Sport Centre Modernisation Programme.

This report is public

#### Recommendations

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The Executive is recommended:

- (1) To note the end of project report and the positive outcomes that have already been achieved.
- (2) To agree that the capital under spend be returned to reserves.

#### Executive Summary

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##### Introduction

- 1.1 The Executive received a Sport Centre Modernisation report in November 2008 detailing the financial position. This report serves as an end of project report and appraisal and details the outcomes and objectives achieved.

##### Proposals

- 1.2 To review the end of project report and to consider the financial position, objectives and outcomes achieved and lessons learned.

##### Conclusion

- 1.3 The Sport Centre Modernisation programme has achieved the objectives and many of the outcomes set at the outset of the project with regard to improved usage, modernised/new facilities provided and reduced running costs. Furthermore the project has been delivered on time and within the agreed capital budget and has produced better than expected revenue savings.

## **Background Information**

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- 2.1 The Sport Centres Modernisation Programme (SCM) is the largest construction contract in terms of value, some £29m, and longest service contract at 25 years that this Council has ever entered into. Cherwell Leisure Limited (CLL) took over the operation of the sports centres in April 2008. Arising from this, the day to day management is being delivered by Parkwood Community Leisure (PCL) and the refurbishment and construction works has been undertaken by Kier Moss.

### **Modernisation/Construction/Demolition Phase**

- 2.2 The modernisation works to Bicester Leisure Centre (BLC) and Kidlington and Gosford Leisure Centre (KGLC) were completed and both centres were formally opened in June 2009. The construction and handover of the new Spiceball Leisure Centre (SLC) was completed in December 2009, some 3 weeks ahead of schedule. The final phase of the contract was the demolition of the former Spiceball Sports Centre which was completed on 30 April 2010, again ahead of schedule. Work to adapt the site for use as a temporary car park has also been completed recently and this car park is now operational.

### **Full Service Provision**

- 2.3 During the modernisation and construction phase, the contractor was working to an interim services specification as many parts of the building were being improved and the new Spiceball Leisure Centre constructed. However, full service provision commenced on the 14 December 2009 when all the planned facilities were completed and handed over to the operator. This management contract is on a full lifecycle cost basis which enables equipment to be replaced to a set schedule and the building fabric to be maintained to hand over standards and will continue for the next 25 years. Monthly operator meetings will continue as part of the monitoring process and benchmarking reviews will take place at regular predetermined intervals. PCL has performed well during the construction phase despite disruption to facilities and services and our customers have also been very understanding.

### **Current Performance/Customer Reaction**

- 2.4 Customer reaction to the new and improved facilities has been fantastic at all centres and throughput is continuing to grow. It is too early to establish the full usage figures for a complete year but the Council has a target of increasing centre usage by 100,000 prior to investment. Usage in 2008/09 was 705,284 and this increased to 948,697 in 2009/10, however, this included the modernisation work programme with partial closures in 2008/09 and new and improved facilities becoming available part way through the year. For example, since opening, SLC has seen an increase in usage of over 40,000 admissions and an increase in health and fitness suite memberships from 1719 to 2643. BLC has health and fitness membership has gone from 631 to 1347 and the 10 pin bowling facilities have seen almost 10,000 admissions since opening. In the same period, KGLC has had 33,000 admissions to the new sports hall.

### **Financial Position – Capital and Revenue**

- 2.5 The total project capital cost was approved by Executive in November 2008 as £29,588,966 including all set up, construction costs and provisional sums. Other than some relatively minor commitments and retention sums, all payments have now been made and a projected under spend of just under £610,000 is expected primarily from lower provisional sums and contingency costs. This sum could be returned to capital

reserves for use on future projects. The breakdown by leisure centre is shown in the table below.

	<b>Construction</b>	<b>Fixtures, Fittings &amp; Equipment</b>	<b>Total Cost</b>
Spiceball Leisure Centre	16,369,524	730,379	17,099,903
Bicester Leisure Centre	4,429,302	465,786	4,895,088
Kidlington and Gosford Leisure Centre	3,702,201	198,433	3,900,634
<b>Total Construction and FF&amp;E</b>	<b>24,501,026</b>	<b>1,394,599</b>	<b>25,895,625</b>
All Other Costs (inc set up, professional fees, fees on Financial Close, provisional sums, contingencies etc)			3,083,556
<b>Provisional Project Total</b>			<b>28,979,181</b>
<b>Budget Approved by Executive Nov 2008</b>			<b>29,588,966</b>
<b>Projected Project Underspend</b>			<b>(609,785)</b>

2.6 The annual revenue cost has remained unchanged since the last Executive report in November 2008 at £1,221,694 pa. This figure includes the unitary charge to CLL, and a capital opportunity cost. Project affordability, such an important parameter in shaping the project, was calculated in Nov 2008 as an annual saving of £86,572. If the under spend of £610,000 is returned to capital balances the affordability improves by some £30,500, making the actual affordability in the region of £117,000 p.a. less than the original annual revenue cost prior to this project. However, this figure was calculated with an opportunity cost at 5%. Since then interest rates have fallen dramatically and are more accurately between 1% - 2%, thus providing an even bigger affordability saving in reality.

### **Use of Natural Resources**

2.7 One of the objectives of the project was to reduce the use of energy by providing a new up to date SLC and modernising the other 2 centres. SLC achieved a BREEM rating of good (a best practice standard in the building's environmental performance and design). As usage is increasing, it follows that energy consumption will increase also, but it is expected that the consumption per user will be less and will reduce over time. Initial indications are that this will be achieved through a number of initiatives and operating improvements. In addition, the Council will be working with the Carbon Trust to develop an improvement plan to reduce carbon emissions at all leisure centres. Furthermore, PCL are also committed to driving consumption of natural resources down and recent meetings with the Council have taken place to jointly progress this aim.

### **Project Objectives**

2.8 In considering whether to proceed with this project, the Council set the following

benefits/objectives in the initial business case:

<b>Objective</b>	<b>Comment</b>
Lower running costs (staffing, energy, maintenance, management fee)	Achieved. Affordability outcome reveals this has been achieved and energy indications are promising.
Increased revenue potential (commercial activities, better quality, more attractive)	Achieved. Good feedback from customers. Usage increasing. Good quality finishes/facilities
Extended community benefit and involvement	Achieved. Usage up and some new facilities introduced. Customer forums being introduced.
Potential for reduced risk exposure for the Council (flooding, health and safety, staffing, financial stability)	Achieved. Operational risks transferred. Spiceball flood risk eliminated. Some risk could not be transferred eg utility tariff changes
Extended life expectancy of facilities. Lifecycle maintenance approach	Achieved. Full lifecycle contract now in place.
Potential for inward investment and partnership funding (grant aid)	Achieved. Multiple funding streams have been used to achieve the project.
Contribution to the Corporate CPA/LAA agenda	Achieved. Meeting customer need, opportunities for a healthy lifestyle and VFM featured highly in the CPA inspection
Benefits to health of regular users.	Achieved. Usage is increasing.
Risk transfer resulting in greater cost certainty.	Achieved. Unitary fee set with benchmarking review. Utility rates remain as a CDC risk.
Increase in sporting participation by residents.	Achieved. Clear indications are that usage is increasing significantly.
Updated partnership arrangements (OCC Joint User Agreements)	Achieved. Joint use contracts agreed with OCC.

2.9 Although very early days in the on-going lifetime of this management contract, each of these benefits/objectives has been achieved.

### **Lessons Learned**

2.10 This project was very complex with many different facets. Lessons learned will be useful

for any future large/complex projects the Council undertakes.

<b>Lessons Learned: Summary Log</b>	
<b>Issue</b>	<b>Comment</b>
Project management methodology...but keep it simple.	Too much time can be spent in using over-complicated forms as per full blown Prince 2. A tailored approach according to the needs of the project works well. The Work Package log and filing was very useful.
Anticipate that initial timescales will not be achieved.	There is inevitably slippage with very complex projects.
Keep a running log of key decisions by relevant Board meetings/executive meetings.	Useful to be able to track back for decisions and when.
Dedicated project management resource for major projects	Absolutely vital to maintain progress and timescales. Secondment proved an essential resource.
Project team with elected member involvement and able to clear decisions at Board level.	Invaluable involvement of relevant portfolio holder throughout to give direct input to some difficult issues such as competing priorities.
Condition Surveys.	Place these in the requirements of submitting a tender so that the bidders agree to carry out and fund this together. Costs refunded to unsuccessful parties. If do commission surveys, ensure they include signed deed of appointment and warranty that can be transferred to the Contractor. This way an agreed condition is reached once. We ended up with our surveys. Parkwood then did one and there were differences.
Manage expectations of all stakeholders	These will be different and a possibly mutually exclusive.
Communication and public info...there can't be too much of it. Regular updates of web/hotline and occasional newsletter	Vital to keep public informed of progress.
Detailed hand over plan.	This worked extremely well, with initial brainstorming then weekly meetings with all parties...involve finance, ICT and HR. Critical for smooth transfer/handover
Last few weeks pre Financial Close huge amount of documents arrived for review. Ensure project team can be totally dedicated to these tasks (parking of the day job is required), alternatively set	Documents tend to be specialised to a particular knowledge base which means there might only be one person who can undertake the review. Need to plan for this and important not to rush this stage as it tends to be the detailed

earlier deadlines for submission of these documents and ensure that they are met.	information which is crucial.
A change in one document will probably affect several others; this can suddenly become a big cross referencing admin task in the last few weeks as documents are finalised.	Have dedicated admin support in final month.
Contractors Proposals (CP's) require massive client input to ensure we are getting what we asked for.	Important to have adequate client resources/technical advisors when needed.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 There are no key issues arising directly from this report other than what action should be taken with regard to the capital under spend.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

**Option One** To note the report and determine what action should be taken with regard to the capital under spend.

**Option Two** To explore reinvesting some of the under spend in the leisure centres as a means of spend to save and/or improving energy efficiency.

### **Consultations**

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N/A

### **Implications**

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**Financial:** The high level financial outcome of the project is included in the body of the report. In summary, it was delivered at lower capital and revenue costs set by the Council within the affordability criteria.

Comments checked by Joanne Kaye, Service Accountant, 01295 221545

**Legal:** There are no notable legal implications arising from this end of project report. The many legal matters were resolved as part of the procurement process.

Comments checked by Liz Howlett, Head of Legal and Democratic Services, 01295 221686

**Risk Management:** There are no further risks identified from this report beyond those which have been identified in earlier reports.

Comments checked by Rosemary Watts, Risk Management and Insurance Officer, 01295 221566

**Wards Affected**

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All

**Corporate Plan Themes**

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A safe and healthy Cherwell

**Executive Portfolio**

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**Councillor George Reynolds**  
**Portfolio Holder for Environment, Recreation and Health**

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix [X]	None
<b>Background Papers</b>	
Executive report November 2008, SCM files held in Recreation and Health	
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