

Committee:	Date:	Classification:	Report No.	Agenda Item
Cabinet	10 th September 2008	Unrestricted		
Report of: Director of Resources Director of Children's Services Director of Communities, Localities & Culture Originating Officer: Alan Finch, Head of Corporate Finance Isobel Cattermole, Head of Resources, Children's Services Paul Martindill, Head of Cultural Services		Title: Capital Programme – Osmani Youth Centre and Victoria Park Masterplan Ward(s) Affected: All		

SPECIAL CIRCUMSTANCES AND REASONS FOR URGENCY

The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution, because of the continuation of discussions with the Heritage Lottery Fund regarding the appropriate balance of funding needed to support the Council's Capital Bid. Heritage Lottery Bids are subject to intense competition and it is vital that our bid and capital requirement reflects the very latest information and advice from the lottery fund. Bids for this round of funding need to be completed by the end of September and this is therefore the last opportunity for Cabinet to agree proposals prior to despatch of our bid.

1. SUMMARY

In February, the Authority established its first ever three year budget, which set balanced budgets for the three financial years beginning in April 2008 and ending in March 2011. At its meeting on 30th July, the Cabinet considered the financial forecast for 2009/10- 2010/11 and set the framework for the budget process for 2009/10. This process included plans for capital investment in local assets and infrastructure, being as they, are inseparable from those which concern the day to day running of services. The report went on to consider how funding could be made available to continue carefully targeted investment in local priorities for the benefit of the Borough. Accordingly Corporate Directors were asked to include proposals

for mainstream and local priority funding for 2008/09-2010/11 in their strategic and resource planning submissions. It is against this background, that this report sets out two proposals which, for different reasons, it is appropriate for the Cabinet to consider ahead of the timetable for the 2009/10 budget process.

- Osmani Youth Centre - A report elsewhere on this agenda proposes redevelopment of the Osmani Youth Centre alongside as part of a wider development of the Council's Youth Services. In order to consider the options for the site and inform the ongoing budget process, it is proposed that a detailed options appraisal scheme is commissioned at this stage to allow further consideration and the development of a fuller proposal. In so doing, the Cabinet may wish to signal its intentions by earmarking capital resources to fund a scheme.
- Victoria Park Masterplan – this scheme is subject to a bid to the Big Lottery Fund/ Heritage Lottery Fund which needs to be submitted by 30th September 2008 in order to be considered for funding.

2. RECOMMENDATIONS

It is recommended that the Cabinet;

- 2.1 Note the options for the Osmani Centre and commission a detailed options appraisal at a cost of £139,000, to be funded from Local Public Service Agreement Reward Grant as set out at paragraph 4.8.4.
- 2.2. Agree to earmark up to £3.3m from the Local Priorities Capital Programme for works to the Osmani Centre subject to the outcome of the options appraisal and consultations.
- 2.3. Agree to earmark resources in the Local Priorities Capital Programme to deliver the Victoria Park Masterplan on the basis of a required capital contribution from the Council of £5.05m over a four year period as detailed in the table at paragraph 5.6.3.
- 2.4 Note that the delivery of the Victoria Park Masterplan will create a revenue requirement of £250k which will need to be provided for in the General Fund revenue budget at the appropriate time.
- 2.5. Note the funding implications for the Authority's capital programme of the scheme proposals referred to at recommendation 2.2 and 2.3 above.

**LOCAL GOVERNMENT ACT 1972 SECTION 100D (AS AMENDED)
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT**

Brief description of "background papers"	Tick if copy supplied for register	If not supplied, name and telephone number of holder
Files held by Chief Executive's Directorate 4th floor, Mulberry Place)		Alan Finch 020-7364-4915

3. BACKGROUND

- 3.1. The Council approved the capital programme for 2008/09 and indicative figures for 2009/10 – 2010/11 at its meeting on 27th February 2008. Subsequently, at its meeting on 30th July, the Cabinet received advice on the availability of capital and revenue funding for the period 2009/10 -2011/12 and asked officers to prepare budget submissions in accordance with these constraints and the Cabinet's budget priorities. These submissions will lead to further consideration by Cabinet later in the financial year.
- 3.2. This report sets out two proposals which, for different reasons, it is appropriate for the Cabinet to consider ahead of the timetable for the 2009/10 budget process.
 - Osmani Youth Centre - elsewhere on this agenda, proposals have been put forward for the redevelopment of the Osmani Centre by the Children's Service department. This proposal is part of a package of measures to improve the provision of Youth Services within the borough – a stated aim of the Council Administration. In order to progress the development of options for the site and inform the ongoing budget process, it is proposed that a detailed options appraisal scheme is commissioned at this stage to allow further consideration as part of the budget process. In so doing, the Cabinet may wish to signal its intentions by earmarking capital resources to fund a scheme.
 - Victoria Park Masterplan – this scheme is subject to a bid to the Big Lottery Fund/ Heritage Lottery Fund which needs to be submitted by 30th September 2008 in order to be considered for funding.

4. OSMANI CENTRE

- 4.1. The Osmani Centre is a youth centre located in Underwood Road and managed by Children's Services. Buildings and land are owned by the Council and are part of the Osmani Primary School site.
- 4.2. The Centre has some basic facilities: pool tables, some play stations, and shared use of the school's sports hall. The building is in poor condition, and the accommodation does not meet the needs of the service or allow the services delivered to be developed. The future of the Centre has been under review for some time but a solution has proved elusive due to lack of funding and a clear vision for the facility.
- 4.3. In 2005, estimates for the full scale of the work required to bring the Osmani Centre up to standard were £1.6m. This estimate can now be assumed to be higher because of inflation since the feasibility study was completed. Accordingly, costs are now assumed to be in the order of £2m for a refurbishment and alteration scheme. The figure is based on the outcome of a feasibility study, plus an allowance of £300k for external works on the playground and the inter-face with the

school, and for furniture and equipment, neither of which were included in the feasibility study.

4.4. This full refurbishment scheme would provide:

- A new roof
- External landscaping in the playground
- New entrance and reception area
- New windows, new boiler, re-wiring
- Upgraded fire protection
- New floor-coverings and redecorations
- Fitness room
- New kitchen
- New toilet areas
- ICT suite
- Dance/drama facilities
- Re-modelling of the first floor to provide modern, flexible office accommodation

4.5. £700k has been made available from the Bishop's Square s.106 funds. This is insufficient for the full scheme, but officers have begun work to specify priority elements of works that could be completed with this funding. This would substantially improve the fabric of the building but would not allow the alterations and improvements to the layout of the accommodation.

4.6. **A fuller re-development of the site**

4.6.1. Early consultation with users of the existing centre, points to an alternative, fuller re-development of the site, as an option that can be compared with the refurbishment scheme set out above. Under this option, the aim would be to design a new building that would meet both local service need and one which is financially sustainable.

4.6.2. Architects working with the users have prepared a scheme to demolish the existing building and rebuild a new community centre. This proposal involves:

- demolition of the existing two storey building and the adjoining school premises house (now occupied by the Osmani site premises manager)
- on the footprint of the existing building to build a new four storey centre, by creating a basement level and building up to third floor, which would be capable of providing a wider range of services than can be delivered from the existing building.
- the new building includes activity, training, social and office spaces as well as four rooms to be let to start-up SMEs (small and medium sized enterprises).

4.6.3. The full redevelopment of the scheme has not been fully costed, but estimates start at around twice the cost of the refurbishment scheme (£4m), although this cost could rise once more detailed design work is undertaken.

4.6.4. In addition, there are a number of practical difficulties that would need to be overcome if the design proposals for the rebuilt centre were to be considered, including;

- the development and provision of services within the expanded centre
- the building design implications for the Osmani site as a whole. Whilst the Osmani Centre is independent of the school, the site as whole is interdependent and includes the Osmani school and accommodation for the Keen Students which occupies part of the school building.
- as the premises manager's house is part of the proposed development site, alternative accommodation in the locality for the premises manager.
- implications of an expanded, four storey centre for the neighbourhood of Underwood Road and for the school.

4.6.5. Nevertheless, the initiative of the users of the Osmani Centre and their commitment to their facility is to be welcomed, and officers believe the proposals are worth exploring.

4.7. Way Forward

4.7.1. For the reasons set out above, the implications of the proposed scheme to rebuild the Osmani Centre need to be explored in more depth than has so far been possible. It is recommended that the Osmani site as a whole should be considered as a "campus" site for this purpose in order to consider the best use of the entire site and to consider design proposals that may allow better use of the site and reduce the need for the greater technical complexity of creating a basement level.

4.7.2. It is therefore proposed to engage technical consultants to carry out an options appraisal of alternative schemes for the site, which would include consideration of the refurbishment option and the users' scheme.

The options appraisal would include consideration of:

- the design of the new building, including Planning considerations
- the impact of the new building on the Osmani site
- the interface of the school, Keen Students and the centre and how these can be developed for the services to the community
- the services to be developed, including the need for such services in the community
- the sustainability of services and security of running costs of a larger new building
- the capital costs of implementing either proposal, including value for money considerations
- a business case for the Council to manage and operate the Centre on a sound financial basis.

4.8. Funding Implications

- 4.8.1. Costs of a scheme will not be known until detailed design work is carried out. However to allow for a rebuild scheme it is recommended that capital investment should be capped at around twice the estimate cost of the refurbishment, and contained within an upper limit of £4m for the Council's contribution, although it is suggested that this could be supplemented by fund raising by the users.
- 4.8.2. Developer contributions of £700k are in place from the Bishop Square programme. A confirmed revenue plan is not in place to support the running of an enhanced centre if this investment was implemented in full. The remaining £3.3m would need to be found from resources available in the Local Priorities Capital Programme, and would need to be funded from available capital receipts.
- 4.8.3. The schedule of costs will be dependent upon the scheme adopted but are likely to be incurred during 2009/10 and 2010/11.
- 4.8.4. Costs of an options appraisal are estimated at between £100,000- £150,000. In May 2005, the Cabinet agreed to allocate Local Public Service Agreement Reward Grant of £120,000 to contribute to a refurbishment of the Osmani building. Since no scheme has successfully been developed, this funding has never been applied. It is now proposed that this funding be used to fund the options appraisal. If the cost exceeds £120,000, the additional funding will be found from Directorate of Children's Services budgets.
- 4.8.5. The ongoing cost implications of running the building would be dependent upon the scheme adopted. However it is considered that the right scheme would not necessarily result in higher costs than are incurred on the current Osmani building and it is proposed that proposals should be developed within the current level of funding.

5. VICTORIA PARK MASTERPLAN

- 5.1 The purpose of the Victoria Park Masterplan is to modernise, enhance and restore the landscape and associated community facilities within the park to ensure its sustainability and therefore its ability to meet the needs of current and future generations.
- 5.2 Strategically, Victoria Park is one of the largest parks in London and one of the oldest public parks in the UK, the whole park is a Grade 2 listed landscape the highest designation which can be given. Within Tower Hamlets it is the largest open space, attracts users from all parts of the Borough and the annual use figures are correspondingly high.
- 5.3 Whilst parks by their nature are very robust and can accommodate many thousands of users on a daily basis they deteriorate over time and there is a need for periodic investment. The sheer physical scale of Victoria Park and the range of facilities it contains, determine that this investment must be proportionately large if it is to have a meaningful and sustainable impact.

5.4. Development/Funding Opportunities

- 5.4.1 The onset of 2012 is one of the driving factors for investing in the park now, to meet the aspirations of it being a showcase for the Borough and playing a significant role in the Cultural Olympiad and the organisation of the Olympic event. Victoria Park has a significant role to play during the delivery of the Olympic Games. The Olympic walking event will pass through Victoria Park and the park is designated as a 'live site' meaning that a giant screen will project live to the park so visitors can watch the games just a short distance from the major facilities. The London Organising Committee for the Olympic games have also earmarked the park as a base for parking up to 3000 bicycles to assist with sustainable transport routes.
- 5.4.2 The current Parks for People Programme is the only large scale baseline funder of public parks up to a maximum grant of £4.9m. It is considered that Victoria Park will score highly on all of the BIG/HLF criteria, on HLF's heritage criteria and BIG's community and deprivation criteria. Despite this BIG/HLF have advised that the current funding round will be extremely competitive and that only bids of the highest quality and high percentage levels of committed match funding are likely to succeed. The Parks for People Programme uses a two stage application process, at Stage 1 the application is assessed to ensure that it meets the BIG/HLF programme priorities, that it will deliver the required outcomes and that the applicant has the ability to plan, manage and deliver the project. This stage is competitive against other grant applicants. A comprehensive range of supporting documents has to be provided at Stage 1 covering areas such as Management & Maintenance, Access & Audience Development, Conservation Management Plan and sketch designs of proposed buildings. If the bid satisfies the criteria at Stage 1 it will then be awarded a Stage 1 pass to permit further detailed development work to be carried out on the bid including finalisation of all documentation submitted at Stage 1. At Stage 2 the application does not compete against other applications but must meet the exacting standards set by BIG/HLF.
- 5.4.3 The last application for the current Parks for People Programme is 30 September 2008. Whilst the intention is for the Lottery to provide a replacement for the current programme it appears likely to be for smaller scale projects with revised criteria which wouldn't necessarily support the same broad of facilities within the masterplan e.g. new park buildings. It is therefore advantageous to apply for this round rather than take the risk of applying for a later round with less certainty of eligibility or success.
- 5.4.4. Community support for the masterplan is an important factor and in addition to the previous public consultation process which was completed in March 2008, further widespread consultation is currently underway. This includes a two page feature in East End Life (18 August 2008 edition) illustrating the proposed masterplan which was prepared following the previous consultation exercise and provides the community with the opportunity to complete a short questionnaire. A copy of the East End Life article and questionnaire is also being promoted through the Council's website.
- 5.4.5. The opportunity is also being provided to all LAP Steering Groups to attend a briefing meeting to discuss the proposals and have a site tour of the principal areas contained within the bid. Should the bid progress to Stage 2 there will be further detailed consultation undertaken on all relevant aspects of the project to ensure

that community needs are recognised and integrated into every aspect of the design and ongoing management and maintenance.

5.5. Timescales

5.5.1 The projected timetable for the development and implementation of the project is as follows:

Project development

- Stage 1 Bid submission 30 September 2008
- Response from BIG/HLF by 31 March 2009
- Pass to proceed to Stage 2
- Submit Stage 2 Bid, 30 September 2009 (earliest)
- Grant agreed March 2010 (earliest)
- Project Commencement April 2010

Project implementation

- Year 1 April 2010-March 2011
- Year 2 April 2011-March 2012
- Year 3 April 2012-March 2013

5.6. Costings

5.6.1 The original masterplan proposals were costed at an estimated capital expenditure of £17 million, this proposal contained both eligible and ineligible items of expenditure in relation to the BIG/HLF funding criteria. In order to reduce the scope of the project to a scale which could be supported through the Council's capital programme all ineligible items of expenditure were removed and some items of eligible expenditure have been removed or reduced in scope. This resulted in an estimated project value of £9.7m in April 2008. It is considered that this is the minimum credible project value which BIG/HLF will support given the scale and importance of Victoria Park.

5.6.2. Assuming that the bid receives the maximum grant of £4.9m from BIG/HLF there will be a requirement for the Council to provide £4.8m to support the bid to meet the minimum credible project value of £9.7m. There will also be a need for additional Capital funding to support development costs of the bid estimated at £250k in 2009/10. If other funding streams become available such as locally generated Section 106 planning contributions this will reduce the Council's contribution to the BID.

5.6.3. In addition to the requirement for capital funding there is a need for enhanced revenue funding both during and after the project implementation phases. The need for this is principally to meet the BIG/HLF requirements for us to demonstrate that the investment they make in the park will be safeguarded and that a step change in the management of the park will be implemented. The additional revenue will be required to fund enhanced dedicated management and staffing, routine and scheduled maintenance of existing and new physical structures and features to prevent the cycle of deterioration and improvement reoccurring. The full additional

revenue requirement is estimated at £250k per annum building up from the Year 1 implementation phase.

Details of Capital and Revenue requirements and funding sources are summarised in the table below.

Capital/Revenue Cost Projections Victoria Park Masterplan

	Total Cost £'000	09/10 £'000	10/11 £'000	11/12 £'000	12/13 £'000
Capital Project Implementation					
Capital Improvement Cost	9,700	-	3,234	3,233	3,233
Capital Project Development Cost	250	250	-	-	-
Total Estimated Project Cost	9,950	250	3,234	3,233	3,233
Funding Sources					
BIG/HLF Grant	4,900	-	1,634	1,633	1,633
LBTH Capital	5,050	250	1,600	1,600	1,600
Total Capital Estimate	9,950	250	3,234	3,233	3,233
Estimated Revenue Requirement	250		120	180	250

5.7 Funding Implications

5.7.1. When appraising project submissions HLF will expect Local Authorities to have confirmed financial support for their element of projected cost. At this stage the Victoria Park Masterplan project has not been considered as part of the Council's 3 year medium term financial strategy in relation to Capital and Revenue funding requirements and therefore Cabinet is asked to confirm its support for the project by agreeing to earmark Capital resources over a 4 year period from 2009/10 totalling £5.05m, and note the requirement for Revenue growth of £250k. The phasing of the funding is set out in the table above.

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 6.1. The two proposals set out in this report involve capital expenditure of £13.950m over the next four financial years, with a total call on Council funding of £8.350m as follows;

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Osmani Youth Centre					
Council funding	1.30	2.00			3.30
Developer Contributions	0.70				0.70
Total	2.00	2.00	NIL	NIL	4.00
Victoria Park Masterplan					
Council funding	0.25	1.60	1.60	1.60	5.05
BIG/ HLF Grant		1.63	1.63	1.64	4.90
Total	0.25	3.23	3.23	3.24	9.95

- 6.2. The majority of Council funding for the Local Priorities Capital Programme is provided through capital receipts. As reported to Cabinet on 30th July, the Council currently has £14.151m in capital receipts in hand from asset sales made to date. Of this, the following sums are allocated to schemes;

	£m
Required to fund carry forward from 2007/08 capital programme	0.446
2008/09 schemes approved	5.137
Required in 2009/10 to complete schemes started in 2008/09	0.671
	6.254

- 6.3. This leaves unallocated funding in hand of £7.897m, leaving a shortfall against the two bids of £453,000. This funding would need to come from capital receipts not

yet received, or from reserves. As reported in July, a further £10m may be available over the next three years of receipts identified in the approved Asset Management Plan. although this is dependent upon approval being granted to dispose of individual buildings and successful marketing in what may remain a depressed market. There is, however, a strong possibility that sufficient funding would be available to fund these schemes. In addition, there is the opportunity to revisit existing programmed capital schemes as part of the forthcoming budget process to reprioritise resources if Members so wish. Any additional capital expenditure on local priorities after 2008/09 would, however, depend upon the availability of capital receipts or other sources of funding which are as yet uncertain. Members, could, on the other hand, use surplus capital receipts over the medium term to reduce the Council's overall debt burden and thereby reduce the forecast revenue pressures set in the Cabinet report of the 30th July – Financial Review 2011/12 – 2013/14.

- 6.4. Revenue funding for an options appraisal scheme on the Osmani Centre could be made available from Local Public Services Agreement Reward Grant set aside in 2005.
- 6.5. It is proposed that the ongoing costs of the Osmani Centre be contained and managed within existing budgets. This should form part of the options appraisal recommended in this report.
- 6.6. Additional revenue funding to maintain Victoria Park would be required from 2010/11 onwards. The amount required could be contained if necessary within the £1.5m ongoing available funding within the General Fund budget as reported to Cabinet in July, or would otherwise need to be contained within Directorate budgets by delivering savings elsewhere.

7. CONCURRENT REPORT OF THE CHIEF LEGAL OFFICER

- 7.1 The only immediate legal implications of this report is the procurement of the options appraisal for the Osmani Centre. This has a contract value of £120,000 and is therefore a Part A service with a value below the EU threshold. It still needs to be procured in accordance with the Council's own procurement procedures which in this case involves inviting six tenderers (two of whom should be local) from the Exor framework to tender or, if this is not likely to be successful, then the Procurement Department shall arrange for the contract to be advertised

8. EFFICIENCY STATEMENT

- 8.1 All efficiency considerations are addressed in the body of the report and in the comments of the Chief Financial Officer

9. EQUAL OPPORTUNITIES IMPLICATIONS

- 9.1 Osmani

Capital investment in youth and community facilities supports the Children & Young People's Plan and the authority's strategy to improve Every Child Matters outcomes for young people.

9.2 Victoria Park

The detailed development of the bid including community consultation and the development of an Access and Audience Development plan will ensure that use of the park is encouraged by all sectors of the community and barriers to access whether physical or psychological are minimised. The Council's standards and policies in relation to Equal Opportunities will be adhered to throughout the development, implementation and management phases.

10. ANTI POVERTY IMPLICATIONS

10.1 Osmani

Strategies to raise educational attainment, including improving quality of youth and community buildings, support students moving into employment.

10.2 Victoria Park

The majority of Victoria Park is free to use by the community and the benefits of the type of provision intended will assist in counteracting the effects of poverty such as poor health by providing free opportunities for physical activity and exercise within a natural environment. The provision of new high quality play areas will enable children in high child poverty areas to access free play opportunities. The Volunteering Plan will provide opportunities for the community to get directly involved in the management of the park which will increase knowledge and skills assisting in reducing worklessness. Implementation of the project will provide opportunities for local companies to tender for construction and landscape contracts, future maintenance contracts will be packaged to attract local SME's and the workforce to reflect the local community criteria will be applied wherever staff recruitment opportunities occur.

11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

11.1 Osmani

Sustainability considerations will be applied in the appraisal of options for the Osmani Centre, including the design and materials proposed.

11.2 Victoria Park

One of the principal outcomes of the Victoria Park Masterplan will be to create a more sustainable management process for the park, features will

enhance natural biodiversity, reduce water and energy consumption, reduce vehicle miles and install energy saving features into buildings and facilities and increase on site recycling.

12. RISK MANAGEMENT IMPLICATIONS

12.1 All Risk Management implications are contained within the body of the report.