

# Business Justification Case

## Single Assurance Framework



West Midlands  
Combined Authority

## BUSINESS JUSTIFICATION CASE

The purpose of the **Business Justification Case (BJC)** is to:

Act as a single stage business case, using the Five Case Model, for the delivery of relatively low risk spend for which firm prices are available.

A BJC may be considered within WMCA for smaller items of spend, which:

- Are not novel or contentious and
- can be procured from an existing pre-competed arrangement whilst
- recording the findings of the procurement phase to identify the option that offers the 'most economically advantageous tender' (MEAT) and best public value.

To support better spending, investment decisions and better procurement, this Business Justification Case should be written using West Midlands Combined Authority (WMCA) guidance. In addition, it is a requirement that all proposals for public funds submitted to WMCA are guided and based around the HM Treasury's Green Book and supporting information can be found [here](#).

PROJECT DETAIL			
Project Name:	Sandwell Aquatic Energy		
Programme Name (if applicable)			
Directorate (if WMCA internal):			
Organisation (if WMCA external):	Sandwell MBC		
GOVERNANCE			
If external to WMCA, when was this project approved by your internal governance?	15 <sup>th</sup> February 2023 – Cabinet Budget Approval		
STAKEHOLDER INVOLVEMENT			
Provide the names of the following stakeholders who have been sighted on this business case prior to submission, note this is a mandatory requirement:			
Senior Responsible Owner (SRO):	Ben Percival (SMBC)		
Programme SRO (if applicable)	Simon Hall		
WMCA Executive Director:	Clare Hatton		
Finance Lead:	Phil Cole (WMCA)		
Legal Representative:	Angela Willis (WMCA)		
Procurement Lead:	Mark Braithwaite (SLT)		
Other (i.e. HR / Health & Safety):	Brad Benson (WMCA Procurement)		
VERSION CONTROL			
Version:	06	Date:	11/09/2023
BJC Prepared by:	Harry Felgate, Mott MacDonald	Job Title:	Economic Consultant

## EXECUTIVE SUMMARY

PLEASE PROVIDE A ONE-PAGE STAND-ALONE SUMMARY OF THE PROPOSED PROJECT WHICH INCLUDES

- A BRIEF PROJECT DESCRIPTION AND WHY IT IS NECESSARY
- TARGET OBJECTIVES
- ASSOCIATED OUTPUTS

Sandwell Aquatic Centre (SAC) has the potential to provide local residents with state-of-the-art facilities to engage in a range of physical activities. The Centre's offering will be attractive to both active residents and those currently disengaged with sports as the pool offers a world-class facility unique to the area. The Aquatics Centre includes a competition-standard 50m pool, 1,000 spectator seats and a competition diving pool and tower. The SAC will provide competitive diving facilities and a new competition venue for the West Midlands and at a national level, but also a community facility that supports residents.

Conceived and built for the 2022 Commonwealth Games, once the Games were finished the centre would be modified to become a legacy facility providing for Sandwell's communities to replace the ageing facilities at Smethwick and Langley. The centre would not just be a key local facility, but a hub for swimming across the region. The legacy phase of the construction is drawing to a close and the SAC is due to open for community use on 24 July 2023, operated by the Sandwell Leisure Trust (SLT) on behalf of Sandwell Metropolitan Borough Council (SMBC).

External factors have, however, led to an unprecedented rise in energy costs which is posing challenges to the successful operation of the centre. While SLT has fixed utility rates for all existing sites, this contract cannot be extended to the newly opening SAC. In response to the deficit created by the increase in energy costs at SAC, SMBC and SLT would be forced to make savings elsewhere. This would entail temporarily closing a facility until such time as energy prices have been reduced or savings can be found. For the purpose of options analysis in this business case, the theoretical facility closure has been modelled as Tipton Leisure Centre (TLC), as this is currently running a deficit that is broadly equivalent to the projected increase in utility costs at SAC.

This would negate the positive impact forecast from the opening of SAC as it would reduce the public leisure offering, which in turn would limit the ability of SMBC to provide sufficient leisure facilities for Sandwell's residents to lead happier, healthier, and longer lives. This would adversely impact the physical and mental well-being of the local community.

**Target Objectives – State the 'big picture goals that are planned to be achieved'**

- Enhance leisure provision in Sandwell, giving all residents the option to use accessible local, high-quality facilities supporting the objectives of Sandwell's Health Inequalities Programme.
- Open and fully fund the initial operation of the Sandwell Aquatic Centre, a world-class leisure facility located in Sandwell, that will support the legacy of inclusion and growth created by the 2022 Commonwealth Games.
- Support the Sandwell Vision 2030, particularly Ambition 2: "Sandwell is a place where we live healthy lives and live them for longer, and where those of us who are vulnerable feel respected and cared for", through enhanced local leisure facility provision.

**Associated Outputs – State the tangible and direct results of the project**

Without Commonwealth Games Legacy Fund (CWGLEF) the cost pressures would have to be absorbed elsewhere in Sandwell, which will result in the closure of other leisure facilities causing;

- A reduction in the ability for residents to access local facilities, producing negative Health, Wellbeing and Educational outcomes; and
- Loss of local Employment in the centres affected.

**FINANCE SUMMARY**

- *Total Project Cost – The sum of the entire project cost (as known), including all funding sources identified*
- *WMCA Funding Required – The amount of funding being requested from WMCA (i.e., the financial ask of this business case)*
- *WMCA Funding Source – State the funding source of the WMCA Funding being requested (e.g., City Region Sustainable Transport Settlement – CRSTS)*
- *Funds Secured – The amount of funding that has already been officially secured; this should be demonstrated by confirmation of funding appended to the business case.*
- *Funds Unsecured - The amount of funding that has not yet been officially secured, this should include the financial ask of this business case (i.e., the amount in the WMCA Funding Required column.*

<b>Table 1</b>	
<b>Finance Summary</b>	<b>BJC (£)</b>
<b>Total Project Cost:</b>	£1,911,077
<b>WMCA Funding Required:</b>	£1,395,754
<b>WMCA Funding Stream:</b>	Commonwealth Games Legacy Fund
<b>Funds Secured:</b>	£515,323
<b>Funds Not Secured:</b>	£1,395,754

### 1 - STRATEGIC CASE

#### *PROVIDING STRATEGIC FIT SUPPORTED BY A COMPELLING CASE FOR CHANGE*

##### 1.1 PROJECT SPENDING OBJECTIVES AND ALIGNMENT TO WMCA AIMS

Sandwell Aquatic Energy will address two of the following drivers for intervention, as presented in the guidance for BJs;

- To improve the quality of public services in terms of the delivery of agreed outcomes (effectiveness). For example, by supporting the operation of the SAC, ensuring there is no loss of services throughout the rest of the Sandwell Leisure portfolio, retaining a high quality of service. This BJC, therefore, supports the aims of the Sandwell 2030 vision and Sandwell's Health Inequalities Programme.
- To re-procure services to avert service failure (replacement). Funding through the CWGLEF will ensure SAC operation is appropriately funded and is able to procure energy services. This will avert service failure which will impact on other Sandwell leisure facilities.

## SINGLE ASSURANCE FRAMEWORK

**Table 2**

#	Objective	Quantitative Baseline	Target	Specific actions to achieve objective	How will the customer be impacted? (i.e. Outcomes)	Alignment to WMCA Aims and Objectives
1.	Secure energy supply for SAC	SAC has yet to open, so baseline is zero.	<p>Number of units required by SAC (forecasted)</p> <ul style="list-style-type: none"> <li>● 7,981,557 kWh Gas</li> <li>● 2,440,571 kWh Electricity</li> </ul> <p>A contingency is also required for the potential for increases in the number of units required, or an increase in the market cost. The currently level of contingency (calculated using the non-commodity price) is equivalent to;</p> <ul style="list-style-type: none"> <li>● 3,064,059 kWh Gas</li> <li>● 638,001 kWh Electricity</li> </ul>	<ul style="list-style-type: none"> <li>● SLT to procure energy for SAC, in line with approach taken for other centres</li> <li>● SMBC to provide assurance that Council will underwrite energy costs post-April 2025</li> <li>● 50% of energy to be forward purchased, 50% purchased at variable rates</li> </ul>	<ul style="list-style-type: none"> <li>● Secure affordable energy for SAC, enabling the centre to remain open for community benefit / wellbeing</li> <li>● Maximising access to leisure facilities</li> </ul>	Ensure everyone has the opportunity to benefit

## SINGLE ASSURANCE FRAMEWORK

<p><b>2.</b></p>	<p>Maintain access and opportunities to reduce inactivity.</p> <p>Specific alignment to WMCA inclusive growth framework &amp; strategic priorities is shown in Table 2a</p>	<p>SLT currently operates 7 leisure facilities accessible to 341,800 Sandwell residents. SAC will be centre no.8.</p> <p>TLC, used as an example, has an estimated population catchment of 27,334.</p>	<ul style="list-style-type: none"> <li>• 341,800 Sandwell residents retain access to leisure facilities</li> <li>• 2.928m West Midland residents gain access to a new leisure facility of regional importance</li> </ul>	<ul style="list-style-type: none"> <li>• Secure CWGLEF funding to ensure there is no loss of service in any other leisure centre, which would require a resident to commute further for health and wellbeing facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Maximising access to leisure facilities</li> <li>• Provided a local leisure centre within walking or cycling distance, to ensure everyone has an equal opportunity health</li> </ul>	<p>Promote inclusive economic growth in every corner of the region</p>
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## SINGLE ASSURANCE FRAMEWORK

Sandwell Aquatic Energy shows strong alignment to WMCA inclusive growth framework<sup>1</sup>, supporting employment, [skills](#) and health outcomes.

Table 2a – Appraisal			
Fundamental	Metric	Justification	Intended Impact
Employment	SLT provide accessible jobs for those looking to get into the leisure industry	<ul style="list-style-type: none"> <li>• Employment that is accessible to young people as their first full time job, paying the Real Living Wage or higher</li> </ul>	CWGLEF funding to SAC will ensure there is no reduction in staffing levels – maintaining the same level of employment opportunities for <a href="#">local residents</a>
Skills	SLT provides apprenticeship roles to local people and have a dedicated training budget	<ul style="list-style-type: none"> <li>• Increase the number of people receiving on-going, ‘on-the-job’ (informal) or formal training in the work <a href="#">place</a></li> <li>• Increase the number of people with vocational qualifications, including functional skills, in sustainable employment</li> </ul>	CWGLEF funding will maintain existing training budgets at SLT and opportunities for vocational qualifications for existing and future staff members
Health	User numbers for TLC per month (October to March 2023) has a total of 1,942 visits made up <a href="#">of</a> : <ul style="list-style-type: none"> <li>• 831 Juniors visits</li> <li>• 155 Concessionary visits</li> <li>• 745 65+ visits</li> <li>• 211 Disabled visits</li> </ul>	<ul style="list-style-type: none"> <li>• Create opportunities to lower barriers to accessing health and care services</li> </ul>	CWGLEF funding to SAC will ensure there is no loss of service in any other leisure centre
Health	Across Sandwell’s 2021 School Swimming Programme, 369 schools have booked in with 60	<ul style="list-style-type: none"> <li>• Prioritise early intervention and prevention in a way that confronts the root causes of ill health</li> </ul>	Maintain access to school swimming programme for local schools. This will keep school children more active, increasing their opportunity to continue staying

<sup>1</sup> [Inclusive Growth Decision-making Tool \(wmca.org.uk\)](http://wmca.org.uk)



## SINGLE ASSURANCE FRAMEWORK

	<p>having not attended due to Covid-19.</p> <p>Total number of school pupils attending lessons: 19,597</p> <p>TLC swim school had 1,242 visits in March 2023.</p>		<p>active to older ages and improving health outcomes.</p>
Health	<p>SLT currently operates 7 leisure facilities accessible to 341,800 Sandwell residents. SAC will be centre no.8.</p> <p>TLC, used as an example, has an estimated population catchment of 27,334</p>	<ul style="list-style-type: none"> <li>• Improve access to green space and opportunities for physical activity</li> </ul>	<p>CWGLEF to SAC will ensure there is no loss of service in any other leisure centre, which would require a resident to commute further for health and wellbeing facilities.</p>

## SINGLE ASSURANCE FRAMEWORK

Table 2b Alignment to WMCA Strategic priorities	Rationale
Ensure everyone <u>has the opportunity to benefit</u>	This Energy Cost investment will ensure there is no loss of services in any other centres, avoiding costly travel and enable delivery of an inclusive aquatic, fitness and leisure programme including memberships for residents largely in a 30 min. peak drive time area of the aquatic centre.
Promoting inclusive growth in every corner of the Region	The Aquatic Centre <u>is located in</u> one of England's 30% most deprived wards, with 56% of the population from ethnic minorities (greater % than Sandwell as a Borough). This investment prevents any service loss and enables to encourage greater use by the local community.

## 1.2 EXISTING ARRANGEMENTS AND BUSINESS NEEDS

Provide a complete summary of the organisation's current service model referring to its Business as Usual (BAU) offer, this may also include elements of services provided within the organisation's external environment. Also, state the deficiencies associated with the current provision and the implications if the project does not proceed.

- Include suitable quantification of needs/demands where possible.
- Provide details around the service gap – i.e. the difference between current provision and where the business wants to be in line with the spending objectives of this proposal.
- Why is public sector investment required?

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### PROVIDE A BRIEF SUMMARY THAT DETAILS THE CURRENT SITUATION AND RANGE OF SERVICES PRESENTLY BEING PROVIDED BY THE ORGANISATION.

Sandwell Leisure Trust (SLT) is a registered charity (no 1102431) a social enterprise, and a company limited by guarantee (no: 05011501), set up in January 2004 to manage sport and leisure facilities on behalf of and in partnership with SMBC. SLT will be the tenant and operator of SAC until (at least) 31 March 2027.

SLT is the Council's chosen operator of leisure services. The Management and Funding Agreement to operate the centres was due to terminate on 1 May 2023 (because the Business Plan for 2021-2024 was not agreed), however due in part to the pressure on utility tariffs and the fixed utility rates for the existing sites secured by SLT, the agreement has now been extended to March 2027. These fixed rates unfortunately cannot be extended to SAC as a new facility.

The purpose of SLT is to encourage and increase participation in physical activity, and leisure by the whole community. SLT is non-profit distributing, reinvesting 100% of any surplus to improve, maintain and deliver quality services for the whole community to enjoy, socialise in and become more active.

The direct benefits that flow from SLT's overall purpose are to improve the health and well-being of the wider community in Sandwell, reduce the social isolation of Sandwell's citizens through group physical activity and deliver sustainable sport and leisure services for future generations to enjoy. The public benefits that flow from this purpose are:

- An enhanced quality of life and sense of well-being through engagement with and participation in activities and events that bring people together, leading to improvements in physical and emotional well-being, quality of life and a more stable and cohesive community;
- Increased opportunities to engage in new physical activities that bring people together, leading to greater social cohesion and fulfilment; and
- Enhanced active citizenship and involvement in community life.

#### Leisure Operator

SLT is SMBC's chosen operator of leisure services. SLT is both an independent company limited by guarantee and a registered charity. Having been established in 2004 it currently operates 7 leisure centres in Sandwell.

The SLT annual report (2021/22)<sup>1</sup> shows the centres are in recovery post-Covid with 327,000 active and 343,000 fairly active individuals attending leisure centres in Sandwell. Of these, 45% of participants fall within Groups 1 or 2 from the Indices of Multiple Deprivation (i.e., the most deprived 10 or 20% of the population).

The recovery of the centres is further highlighted through membership numbers. In 2022<sup>2</sup>, SLT's centres had an overall membership of 75,667 (up from 59,117 in 2021). Attendances at sports and leisure centres increased to 2,038,379 (well above attendance figures of 426,459 in 2021, which was due to the impact of the Covid-19 pandemic). Whilst swimming for all ages in Sandwell continues to remain popular, free-swimming registrations slightly decreased in 2022 to 44,634 (46,963 in 2021).

SLT manages the following centres;

- Haden Hill Leisure Centre, B64 7HA
- Hadley Stadium Leisure Centre, B66 4ND
- Harry Mitchell Leisure Centre, B67 7DH
- Portway Lifestyle Centre, B69 1HE
- Tipton Leisure Centre, DY4 8TA
- Tipton Sports academy, DY4 0BS
- Wednesbury Leisure Centre, WS10 7HP.

#### Energy Purchasing Arrangements

At present SLT procure their own energy for the centres they manage – as outlined previously, this has led to SLT securing competitive fixed tariffs, which unfortunately cannot be extended to SAC. At this stage an assessment is being undertaken to determine whether the Council is in a position to procure more competitive rates for SAC via its partnership with the Eastern Shires Purchasing Organisation (ESPO).

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**PROVIDE DETAILS AROUND THE SERVICE GAP – I.E. THE DIFFERENCE BETWEEN CURRENT PROVISION AND WHERE THE BUSINESS WANTS TO BE IN LINE WITH THE SPENDING OBJECTIVES OF THIS PROPOSAL.**

The spending objectives of the project result in the provision of two outcomes. Firstly, the CWGLEF will cover the funding gap at the SAC due to the increase in energy costs, with a description of the services expected from SAC described in the following section. The funding will also ensure there is no loss of service in other areas of SLT operation.

For the purpose of this business case, the reduction of service has been modelled on the closure of TLC, as the current operational deficit is approximately equal to the increase in utilities cost. The impacts of this is addressed in the section 'What Are the Implications if the Project Does not Proceed'.

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<sup>1</sup> [SLT Annual Report 21-22.pdf \(slt-leisure.co.uk\)](#)

<sup>2</sup> [charity-search \(charitycommission.gov.uk\)](#)

### Sandwell Aquatic Centre

Two existing swimming centres, Langley Swimming Centre and Smethwick Swimming Centre have reached the end of their economic lives. These facilities were in a poor condition, as detailed in the public consultation completed in Spring 2017 and have recently closed.

To replace these centres SMBC developed proposals for the SAC, to be opened for the 2022 Commonwealth Games. The Aquatic Centre includes a 50m pool, 5,000 spectator seats (4,000 temporary) and a competition diving pool and tower.

Once the Games were finished, the centre would be modified to become a legacy facility providing both community provision to replace the no longer fit-for-purpose facilities at Smethwick and Langley and also an aquatics competition venue for the West Midlands. The legacy-phase of the construction is drawing to a close and the Sandwell Aquatic Centre is due to re-open to the public on 24 July 2023.

The SAC will provide competitive swimming and diving facilities at a regional and national level and also community facilities that support local residents. The facilities include:

- 50m 10 lane competition swimming pool
- Competition diving structure with dive boards at 3m, 5m, 7m and 10m
- 5m deep diving pool
- Dry diving centre with trampolines, cameras and screens
- 1,000 permanent seats
- Lobby and Reception Desk
- Community swimming pool (20m x 10m)
- Three 150sqm activity studios
- Two 4-court sports halls (690sqm each)
- 108-station fitness gym
- 25-station ladies-only fitness gym
- 33-station indoor cycling studio
- Changing village for up to 600
- Sauna/steam room
- New outdoor football pitch and changing facilities
- New urban park and children's play area
- Parking for up to 300 vehicles
- Café.

The demand for such a facility has been identified through public consultation, the work completed by Swim England in their West Midlands Competitive Facility Framework and by Sport England's Facilities Planning Model. Due to the size of SAC and its regional importance, it is expected that even with high energy costs this facility would remain open.

### Increase in Energy Costs

A combination of factors have led to the increase to the spike in energy prices in 2022, with energy prices still remaining high. Prior to Russia's full-scale invasion of Ukraine in February 2022 there was an increase in demand for oil and gas as economies around the world came out of lockdown. Supply did not keep pace with the higher demand, increasing gas prices which also fed through to increased electricity prices.

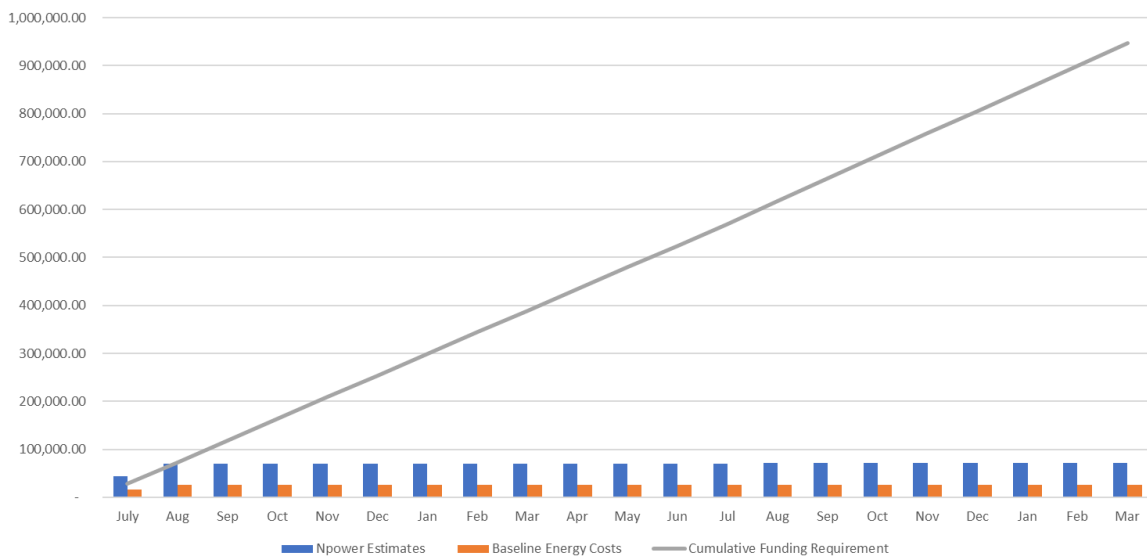
Sanctions on Russia, the embargo on Russian oil, a potential embargo on Russian gas and cuts in Russian gas supply to Europe have pushed oil and gas prices up further still. The price of electricity

produced from gas has increased in line with gas prices and effectively sets the price for all power on wholesale markets. Lower electricity production in some sectors has also helped to push up power prices. Drought in parts of Europe have led to lower hydroelectric output and a large number of French Nuclear reactors were offline in late summer. Prices, therefore, have the potential to rise again based on a change in these external factors through 2023/24 and 2024/25.

Utilities for the SAC had been originally estimated and budgeted for £300,000 p.a. Subsequent forecasts for energy costs completed in February 2023 (Annex J) and by Npower in May 2023 (Annex D and E) both show a significant increase on this figure. In February 2023 the annual cost for gas and electricity was forecasted at £1.41m p.a., whilst this figure had reduced to £0.85m p.a. in May 2023 this still represents a 183% increase on the previously expected cost, and an additional £45,000 per month of utilities spending.

**Figure 1** presents the increase in SAC energy costs (May 2023 Forecast), utilities cost is calculated from 13/07/2023 to align with the requirement of WMCA. A full breakdown is presented in the financial case.

**Figure 1: Utilities Spending – Planned and Expected**



**Source: Mott MacDonald analysis**

Draft revenue projections were provided by SLT in 2023, and have been updated with both forecasts and the original budgeted amount of £300k p.a. The low-risk financial position has been used for SAC to represent Year 1 and Year 2 of public opening (Year 1 occurs from April 2023 to March 2024), with values in Year 1 having been reduced by 33%, to account for the opening date of SAC in July 2023.

For Year 3 and Year 4 the medium risk financial position is used, as the SAC reaches Maturity. The projection show that with the original budget the SAC makes a loss of approximately £335k over the first two years of operation, before producing an annual service profit of £89k in Years 3 and 4 in the medium risk financial scenario.

However, energy forecasts create a large deficit across the first 4 years of centre operations. Using the February 2023 forecast, this totals £2.25m across Years 1 and 2, whilst the May 2023 forecast (with reduced energy costs) there still is a significant deficit in Years 1 and 2 of £1.25m, with the centre continuing to remain loss making once it reaches maturity in Years 3 and 4.

The projections show that the external rise in energy costs have moved SAC from a position of financial stability to now running a significant operational deficit, for which SMBC will have to find alternative funding sources.

Inflation has not been included in these the draft revenue projections.

<b>Table 3 - Draft revenue projections</b>				
<b>Income</b>				
	<b>Year 1 (2023/24)</b>	<b>Year 2 (2024/25)</b>	<b>Year 3 (2025/26)</b>	<b>Year 4 (2026/27)</b>
Memberships	1,014,088	1,521,131	2,028,175	2,028,175
Swimming	1,179,937	1,769,905	1,513,655	1,513,655
Other Income	416,125	624,187	624,187	624,187
<b>Total Income</b>	<b>2,610,149</b>	<b>3,915,224</b>	<b>4,166,017</b>	<b>4,166,017</b>
<b>Expenditure</b>				
Staff Expenditure	1,696,597	2,544,895	2,499,610	2,499,610
Other Expenditure	847,578	1,271,367	1,277,358	1,277,358
<b>Total Expenditure</b>	<b>3,148,893</b>	<b>4,674,026</b>	<b>4,603,495</b>	<b>4,554,572</b>
<b>Operating Surplus</b>				
SAC with 2018 Estimate	(149,349)	(201,039)	89,049	89,049
SAC with May 2023 Revised Estimate	(538,744)	(758,802)	(437,478)	(388,555)
SAC with February 2023 Revised Estimate	(947,208)	(1,312,663)	(1,022,575)	(1,022,575)

**Source: Sandwell LATC Review (2023) Sandwell Leisure Trust**

#### WHAT ARE THE IMPLICATIONS IF THE PROJECT DOES NOT PROCEED

Accounting for the timeframe relevant to this business case (Utilities costs have been calculated from 13<sup>th</sup> July 2023 to March 2025), as the centre is not open for all of year 1, the latest utilities forecast from SAC is £1,462,481 (Annex D and E). The forecast completed in February 2023, at a time when energy prices were higher, placed the figure at £2,424,806 (Annex J). This represents a substantial cost increase from the original baseline budget of £515,323.

It is financially unsustainable for SLT to run this increased deficit for SAC, whilst maintaining provision at the rest of the leisure centres. To reduce total operational costs, SLT would be required to temporarily close facilities until the energy cost pressure has been reduced or cost saving through other efficiencies could be found. Due to the need for a short-term response this business case is modelling the closing of Tipton Leisure Centre for two years, until a longer-term option is found. The Base Financial position for Tipton Leisure Centre is presented in **Table 4**, with the position shown for Y1 (8 Month) and Y2 (12 Months).

<b>Table 4 – Tipton Leisure Centre Draft Revenue Projection</b>		
<b>Income</b>		
	<b>Y1 (2023/24)</b>	<b>Y2 (2024/25)</b>
Fitness	332,445	498,667
Swimming	343,804	515,707
Sports	1,278	1,918
Secondary	11,622	17,433
<b>Total</b>	<b>689,149</b>	<b>1,033,724</b>
<b>Expenditure</b>		

Staffing	556,483	834,724
Utilities	252,597	378,896
Other	270,551	405,826
Total	1,079,631	1,619,446
<b>Operating Surplus</b>		
Operating Surplus	-390,481	-585,722

**Source: Sandwell LATC Review (2023) Sandwell Leisure Trust**

Taking the assumption that once closed there are no costs associated with the leisure centre, the closure of TLC would save SLT £976,203 over Year 1 and Year 2, which provides savings that are approximately equal to the increase of energy costs from the original budget to the forecasted energy cost of £947,158 (May 2023 forecast).

The ask for this business case has added a contingency to this forecast. There are two sources of uncertainty, in the market price of energy and energy units required for the legacy phase of SAC. The cost of energy consumption remains an estimate, therefore a contingency for an increase in cost has been added and is detailed in full in the financial case.

A closure of a service such as TLC is therefore a likely outcome if CWGLEF funding is not received.

#### Maximising Access to Leisure Locally

SLT maintaining operation of all the leisure centres is vital to maximising local access. TLC opened in April 2013, to provide service to the local community in Tipton. Managed by SLT, the centre provides a range of affordable swimming activities, swimming lessons across a large and small pool, with fitness classes and a fitness gym facility. The centre also hosts a range of sports and activity clubs including swimming, water polo and martial arts.

As shown in **Table 5**, Tipton caters for approximately 7% of Sandwell's population, with a target fitness population of 19,800 residents.

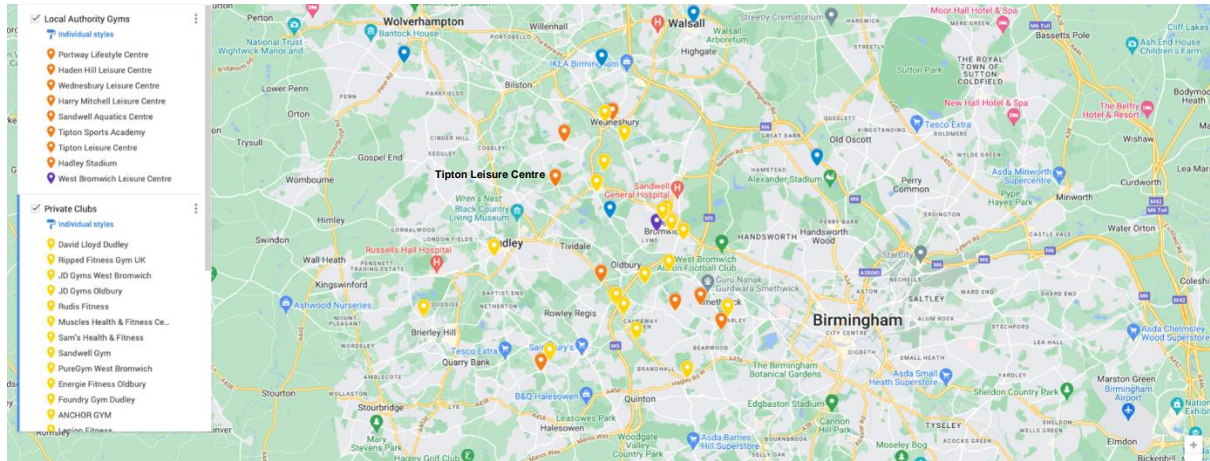
<b>Table 5- Tipton Catchment</b>		
	Tipton	Sandwell
Total Catchment Population	27,344	391,800
Age range - under age - 0-14	3,744	53,646
Age range - target age - 15-64	17,672	253,214
Age range - extended age limit - 65-74	2,128	30,491
Target Fitness Population	19,800	283,705

**Source: Sandwell LATC Review**

The location of the leisure centre, however, means that there are few other local alternatives for all activities, especially swimming. Tipton is, therefore, a key local resource for the community.



Figure 2: Tipton Leisure Centre Location

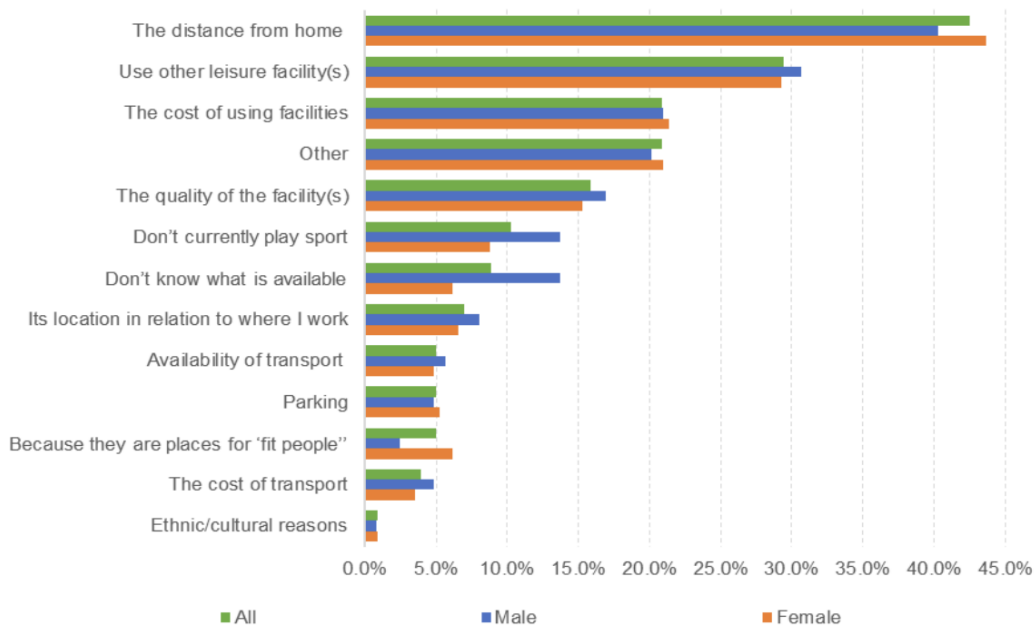


Source: Sandwell LATC Review

SAC and Tipton Leisure Centre are therefore in a key position to increase activity in Sandwell to help meet Ambition 2 of the Sandwell 2030 vision *“Sandwell is a place where we live healthy lives and live them for longer, and where those of us who are vulnerable feel respected and cared for”*.

Access to local facilities is a deciding factor behind residents’ decision to use the facilities and lead healthy lives. A survey completed by Knight Kavanagh & Page in 2017 to inform Sandwell’s Sport & Leisure Built Facilities Strategy<sup>3</sup> identified the key reasons why Sandwell residents were not using / visiting facilities.

Figure 3: Reasons given for not using/visiting facilities



Source: KKP (2017) SPORT AND LEISURE FACILITIES CONSULTATION

<sup>3</sup> Sport and Leisure Built Facilities Strategy, 2018

As well as competition from other facilities, the core factors were distance, cost and quality. Distance was the most cited factor. This reflects that a focus on local centres is an important consideration for Sandwell residents, with household car ownership relatively low.

In Sandwell, 33% of residents do not have access to a car, based on 2011 Census data. The West Midlands Region average is 28.6% and for England, 24.9% of the population does not have access to a car. For these residents, a network of locally accessible swimming pools is important to encourage swimming participation. In the Strategic Assessment Provision of Swimming Pools by Sport England it was estimated that 34% of all visits, or just over one in three of all visits to pools, are made by walking or public transport.

When lined up alongside the next two most significant issues; cost of use and the quality of the venue (which are normally closely related), this would suggest that access to a high-quality, affordable and local venue would satisfy the needs of a substantial proportion of survey respondents.

If CWGLEF funding is not forthcoming for the excess energy costs, the alternative option would be to close an existing leisure centre. This has been modelled as Tipton Leisure Centre for the purpose of this business case. Tipton is a relatively new centre (opened in 2013) and the only swimming centre located in Tipton, however it has the second largest operational deficit out of all centres, behind Portway Lifestyle Centre. Tipton has a far smaller population catchment, 27,00 compared to Portway's 68,000 making it a more likely centre to be temporarily closed.

As such, it is of vital importance to the local community and meaning if the centre is closed residents may have a greater difficulty accessing an alternative centre.

#### Local Demand

There is a clear demand for additional leisure facilities in Sandwell. As shown below, demand for pool space is highest amongst all leisure centre amenities considered.

When Sandwell residents were asked which type of facilities they would like to see as part of any remodelling/new development within the borough, facilities for swimming, sports hall, fitness gym and group exercise studios were the top four requested.

Figure 4: Facilities Desired by Local Residents

Amenity?	All	Male	Female	All %	Male %	Female %
<b>Base</b>	<b>771</b>	<b>269</b>	<b>492</b>			
Swimming pool (for competitive swimming/events)	395	135	255	51.2	50.2	51.8
Swimming pool (for teaching/learning to swim)	476	164	304	61.7	61.0	61.8
Diving pool	172	70	100	22.3	26.0	20.3
Sports hall (for badminton, basketball netball etc.)	334	145	187	43.3	53.9	38.0
Indoor cricket nets	75	39	34	9.7	14.5	6.9
Volleyball court	68	34	34	8.8	12.6	6.9
Fitness gym	455	176	275	59.0	65.4	55.9
Studios for fitness classes	419	133	281	54.3	49.4	57.1
Spin/indoor cycling studios	302	97	203	39.2	36.1	41.3
Studio spaces for judo/martial arts	172	81	90	22.3	30.1	18.3
Squash/racketball courts	140	60	76	18.2	22.3	15.4
Artificial grass pitch (for football) – full sized	122	61	59	15.8	22.7	12.0
Artificial grass pitches (for football) – 5-a-side	136	65	70	17.6	24.2	14.2
Athletics track	174	66	107	22.6	24.5	21.7
Tennis courts (indoor)	134	55	78	17.4	20.4	15.9

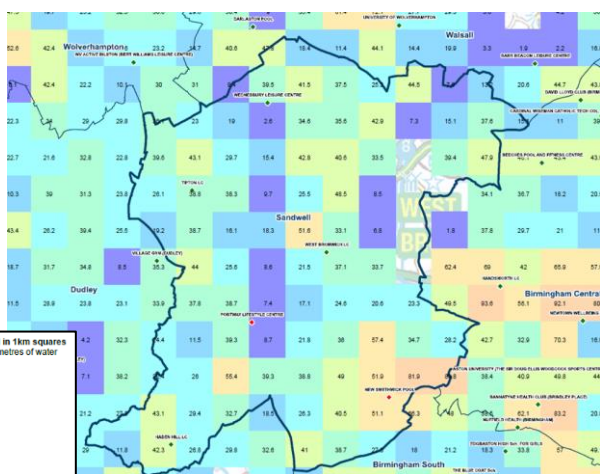
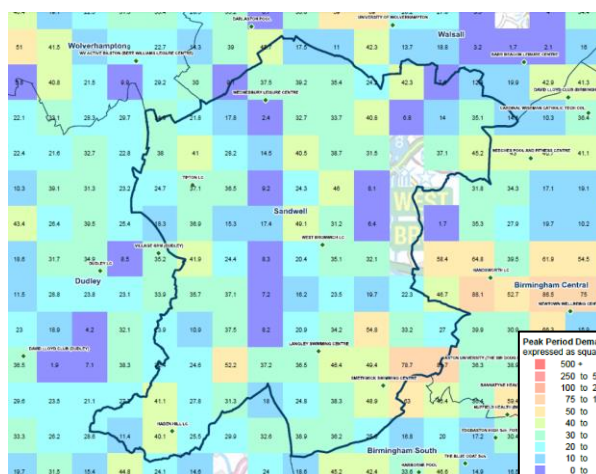
Source: KKP (2017) SPORT AND LEISURE FACILITIES CONSULTATION

The closure of an alternative local facility would result in residents being unable to walk to a pool and, considering the low car ownership rates locally, this would make swimming more difficult for many.

In addition, pools in Sandwell are already nearly at capacity. In 2019, Sandwell’s swimming pools were estimated to be 93% full on average at peak times. The closure of TLC would mean locals would have to travel further to use leisure facilities, and increased pressure on the remaining pool space. This will reduce accessibility and fail to meet the target objectives of the Sandwell 2030 Vision.

Figure 5: 2019 Peak Demand for Pool Spaces

Figure 6: 2031 Peak Demand for Pool Spaces



Source: Sport England Facilities Planning (2020) Strategic Assessment Provision of Swimming Pools

Source: Sport England Facilities Planning (2020) Strategic Assessment Provision of Swimming Pools

### Reputational Risk

Discussions with Elected Members in the context of remodelled / redeveloped facilities highlighted that accessibility and affordability were critical factors, with a specific issue raised around bank holiday closures when demand is high. Closure of a relatively new centre (TLC opened in 2013) would create reputational risk for SMBC as there would be reduced accessibility to leisure facilities for Sandwell's residents. It would also create reputational risk for the legacy of the Commonwealth Games, as no increase in leisure provision and accessibility would be forthcoming.

Being unable to access a local facility could also result in residents being unable to create regular patterns of usage which may result in a failure to meet longer-term health ambitions as well as a failure to restore membership levels across SLT's portfolio to pre-pandemic levels.

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### WHY IS PUBLIC SECTOR INVESTMENT REQUIRED?

Public sector investment is required to address an unprecedented rise in energy prices. The public sector investment is not being used as a long-term solution, but a short-term requirement until 2024/25 to ensure the public launch of the Sandwell Aquatic Centre is successful, and residents get full opportunity to use the world class facilities on their doorstep.

The public sector investment is complementary to ongoing investment since 2009. SMBC has been committed to delivering a capital programme focused on replacing aged facilities across the borough to ensure an attractive and sustainable leisure offer is provided for local communities. New centres have opened:

- Tipton Leisure Centre (2013)
- Oldbury Portway Lifestyle Centre (2013)
- West Bromwich Leisure Centre (2014) and;
- Wednesbury Leisure Centre (2015).

Sandwell Aquatic Centre will help ensure a comprehensive leisure offer across the borough, providing all residents with access to high-quality community leisure facilities.

Access to leisure services is considered a public good. There are several associated positive consumption externalities (i.e. where a third party outside of the transaction benefits from the exchange between the consumer and the leisure centre operator). In this instance, the West Midlands NHS Trust could benefit from the potential reduction in costs of medical treatment associated with physical inactivity.

Evidence from the Sandwell Health Inequalities Programme (SHIP), show that overall more should be done for local residents to ensure physical activity and the realisation of associated benefits are available to all, irrespective of their socio-economic circumstance or ethnicity. In the year to

November 2021, Sandwell's inactivity rate amongst residents in the lowest socio-economic category was 47%, 16 percentage points higher than those in the highest socio-economic category<sup>4</sup>.

These challenges are particularly acute for Sandwell. Public health data from the Office for Health Improvement and Disparities shows that 30% of Sandwell's population is unemployed, meaning they are 59% more likely to be inactive when compared to those in employed full or part-time<sup>5</sup>. Relative income can also impact sports participation.

### 1.3 PROJECT SCOPE AND SERVICES

In order to deliver potential service improvements, it is useful to classify needs / requirements. For this project, please outline the requirements of the project based on the following hierarchy:

<b>Table 6 – Project Scope and Services</b>	
<p><b>The 'Essential' requirements</b></p> <p><i>Without these requirements, the project would not be judged to be a success i.e. the 'must have'</i></p>	<p>For this project to be a success it must fund the gap caused by an increase in energy prices. Funding from this project, alongside the original budget will be used to procure.</p> <p style="text-align: center;">Number of units required by SAC (forecasted)</p> <ul style="list-style-type: none"> <li>● 7,981,557 kWh Gas</li> <li>● 2,440,571 kWh Electricity</li> </ul> <p>The project must also procure a contingency. The currently level of contingency (calculated using the non-commodity price) is equivalent to;</p> <ul style="list-style-type: none"> <li>● 3,064,059 kWh Gas</li> <li>● 638,001 kWh Electricity</li> </ul> <p>The procurement of this will ensure there is no reduction in the leisure services for Sandwell.</p>
<p><b>The 'Desirable' requirements</b></p> <p><i>The project may justify these requirements on a value for money basis i.e. the 'could have'</i></p>	<p>SLT will identify costs saving when purchasing at the market rate in order to reduce the level of CWGLEF required.</p>
<p><b>The 'Optimum' or 'Highly Desirable' requirements</b></p> <p><i>The project may justify these requirements on a marginal low cost and affordability basis i.e. the 'nice to have'</i></p>	<p>Secure preferential energy supply for SAC post-April 2025 to ensure there is no reduction of services across SLT managed leisure centres.</p>

### 1.4 KEY RISKS

<sup>4</sup> [Active Lives | Results \(sportengland.org\)](https://www.sportengland.org/active-lives/results)

<sup>5</sup> [West Midlands Mental Health Commission \(wmca.org.uk\)](https://www.wmca.org.uk/)

**Specify the main risks associated with the achievement of the project’s objectives.  
Outline the proposed counter measures for avoidance, mitigation, and management.**

A risk register for the SAC has been attached in **Annex A – Sandwell Leisure Trust SAC Risk Log**. This risk log will be reviewed monthly at meetings with the WMCA.

The risk register shows red financial and physical / operational risk for SAC, linked to the potential rise in cost and subsequent budgetary pressures. The headline risks are shown in the table below.

<b>Table 7 – Headline Risks</b>						
<b>ID</b>	<b>Risk</b>	<b>Impact (1-5)</b>	<b>Probability (1-5)</b>	<b>RAG Rating</b>	<b>Risk Owner</b>	<b>Mitigation</b>
F4/22	<i>Increase in tariff and consumption changes at all leisure sites in SLT portfolio</i>	3	3	Red	S Dillion	Energy consumption (gas and electricity) for all sites including SAC will be routinely monitored and formally reported monthly to the SMBC / SLT Contract Management Meeting.  Compare utility consumption to industry standards to ensure that consumption is within the industry benchmarks for comparable facilities.  Anomalies will be investigated and escalated / mitigated as appropriate.
O4/23	<i>Increased energy costs elsewhere result in closure of Tipton Leisure Centre</i>	3	3	Red	Leadership Team	Funding through the CWGLEF will ensure SAC operation is appropriately funded and is able to procure energy services. This will avert service failure which will impact on other Sandwell leisure facilities.

## 1.5 CONSTRAINTS

**Specify any constraints that have been placed on the project.**

The following constraints have been placed on the project;

- CWGLEF funding can only be used to bridge the gap between what the utilities were originally budgeted to cost (£300k p.a.) and what they will actually cost – not the whole energy cost, nor the whole deficit for SAC. Given tariff volatility and uncertainty regarding the level of consumption (SAC has never operated in legacy form) a level contingency has been added to the May 2023 Npower forecasts. Funds will be claimed quarterly in arrears based on actual expenditure.
- A review of spend and the cost of Utilities will occur at the end of Q4 2023, and at the end of Q1 2024.
- After the completion of Q1 2024 all underspend to that point will be released for reallocation. Underspend is considered the difference between the energy cost forecast with contingency, and actual expenditure.
- For the remaining period to the project end date (March 31<sup>st</sup>, 2025), an updated forecast is to be produced, which should more accurately account for units and energy prices required for the remaining year. From this forecast, any CWGLEF funding that is now forecast to be unspent is released, subject to a contingency agreement between WMCA and SMBC. Any remaining unspent will be released at the end of Q4 2024.
- There is no requirement to fund beyond March 2025 and as part of the project. Quarterly payments in arrears will mean that no payment can be made after the December 2024 quarter, as funding needs to be spent by 31 March 2025.

- Sandwell Council will continue to monitor utility markets and will include necessary provision or mitigation in the Council's Medium-Term Financial Strategy to ensure an effective exit from the CWGLEF support from 1 April 2025.

## 1.6 DEPENDENCIES

**Specify any dependencies outside the scope of the project upon which the success of the project is dependent.**

### Interdependencies

- The total cost of the budget is dependent on the opening to public date of the Aquatic Centre. The full timeline is presented in **Annex B (SAC Mobilisation Plan)** and the centre is currently expected to open on 24<sup>th</sup> July 2023. If the Aquatic Centre was to open late, this would reduce the expected cost of utilities and the end date would remain the end of the financial year 2024/25, with no allowance for additional days.
- The level of energy consumption remains an estimate – only once the centre is operated in post-games “legacy mode” will consumption be clear.

### External Dependencies

- The total cost of utilities, and so the increased costs covered by the funding for the CWGLEF, is dependent on current and future energy prices.
- Energy is expected to be purchased using a mixture of forward buying and market risk. This will fix the cost per unit of a portion of the energy cost in 2023/24 and 2024/25, with the remaining being purchased at market rate. This approach mitigates SAC against further price rises and limits the potential total energy spend.
- The funding ask will remain unchanged, independent of future price changes at £1,395,754. In the event that the rise of utilities is beyond this, SMBC is committed to covering the additional cost.

ECONOMIC CASE

MAXIMISE PUBLIC VALUE TO SOCIETY THROUGH THE SELECTION OF THE OPTIMAL COMBINATION OF SCOPE, COSTS AND OUTCOMES

2.1 CRITICAL SUCCESS FACTORS

List the critical success factors i.e. what must this project achieve to be successful?

Critical success factors are those outputs or outcomes of the project that, if not met, would mean the project had not been successful. They can be used to eliminate options from the short list, even those options that perform well financially or economically but do not satisfy all CSFs.

- An optional, ‘nice to have’ or non-critical output or outcome should not be listed as a CSF.
- CSFs are not the same as project objectives or outcomes, which should still be defined separately.
- Each CSF should indicate how it aligns with the project objectives – showing how meeting the Objectives contributes to meeting the CSF. This means that each CSF should align with one or more objectives.

Table 8 – Critical Success Factors		
#	Critical Success Factor (CSF)	Alignment to Project Objectives
1	<b>Supplier capacity and capability:</b> The project should deliver a sufficient number of units to cover the forecasted level, with an additional contingency for a higher level of use than forecasted.	<p>Aligns strongly with Objective 1 – to secure energy supply for SAC.</p> <p>CWGLEF funding – alongside existing budgets – is required to deliver for 2023/24 and 2024/25</p> <ul style="list-style-type: none"> <li>• 7,981,557 kWh Gas</li> <li>• 2,440,571 kWh Electricity</li> </ul> <p>A contingency is also required for the potential for increases in the number of units required, or an increase in the market cost. The current level of contingency (calculated using the non-commodity price) is equivalent to;</p> <ul style="list-style-type: none"> <li>• 2,440,571 kWh Gas</li> <li>• 638,001 kWh Electricity</li> </ul>
2	<b>Affordability:</b> The project should deliver the lowest possible cost per unit, with a level of mitigation against future price rises to reduce the risk on SMBC.	<p>Aligns with Objective 1 and 2</p> <p>The project should provide a low energy unit cost, to allow for the funding of other CWGLEF to create inclusive growth throughout the region.</p> <p>A low energy cost whilst mitigating risk can be achieved though working with brokers to</p>



		<p>ensure the most advantageous purchasing strategy.</p> <p>Given the recent volatility in energy markets it is not possible to determine maximum SMBC tolerances for leisure centre utility costs. However, it is unlikely that the overall spend on leisure services can exceed current levels and as such any additional costs above the parameters established in this BJC will need to be met from mitigation elsewhere in the leisure portfolio.</p> <p>In addition, Sandwell Council will maximise opportunities to reduce energy consumption at SAC over the period of support. This may be housekeeping measures and / or capital improvements with support from such schemes as the Public Sector Decarbonisation Scheme (PSDS).</p>
<b>3</b>	<p><b>Achievability:</b> The project needs to ensure there is no gap in utilities funding, which could cause a reduction in service. Continuing with or securing a new energy deal before or immediately after the CWGLEF 31/03/2025 deadline.</p>	<p>Aligns strongly with Objective 2 – to secure energy supply for SAC.</p> <p>The project means that can SAC provide a world-class leisure facility to all 341,000 Sandwell residents, as well as a facility of regional importance for the wider West Midlands.</p> <p>Maintaining a full service (and avoiding the closure of TLC) will ensure that SLT can support health and wellbeing targets in Sandwell.</p>

## 2.2 BENEFITS APPRAISAL

A detailed appraisal of benefits is set out in **Annex C – Sandwell Aquatic Centre Technical Note** that accompanies this BJC.

#	Benefit	Benefit Type	Beneficiary
<b>1.</b>	Benefits from Health, Education and Crime reduction	Quantifiable benefit	General public, NHS
<b>2.</b>	The well-being benefits from engagement in physical activity	Quantifiable benefit	General public
<b>3.</b>	The full-time equivalent (FTE) jobs safeguarded	Quantifiable benefit	General public

## 2.3 VALUE FOR MONEY ASSESSMENT

**Complete the table below to provide decision-makers with a summative VfM assessment:**

A detailed appraisal of the VfM assessment conducted on the proposed intervention is set out in the **Annex C – Sandwell Aquatic Centre Technical Note** that accompanies this BJC.

<b>Table 10 – VfM Assessment</b>		
<b>VFM of the Preferred Option</b>		
<b>Social Benefits and Costs</b>  (with ranges)	<p>Listed below are the three benefits assessed to benefit accrued to Sandwell’s residents due to TLC remaining open for the remainder of 2023/24 and 2024/25.</p> <ul style="list-style-type: none"> <li>● Benefits from Health, Education and Crime reduction<sup>6</sup>. <ul style="list-style-type: none"> <li>– Present Value of additional benefit: £226,014</li> </ul> </li> <li>● The wellbeing benefits from engagement in physical activity<sup>7</sup>. <ul style="list-style-type: none"> <li>– Present Value of additional benefit: £3,078,599</li> </ul> </li> <li>● The Full-time equivalent (FTE) jobs safeguarded. <ul style="list-style-type: none"> <li>– Present Value of additional benefit: £351,609</li> </ul> </li> </ul>	
<b>Whole Life Public Sector Costs of Preferred Option (£m)</b>  (aligned to Section 3.2 below)	<p>CWGLEF funding is the sole source of funding source for this project, contributing £1,342,933 (PV, real) prices. This figure is based on the revised energy estimates received February 2023.</p> <p>An optimism bias figure of 10% has been applied, bringing total public sector costs to £1,477,227.</p>	
<b>Value for Money Judgement</b>	<p>HM Treasury considers a BCR of &gt;2.0 to be high VfM. This project delivers a BCR of 2.48 therefore can be considered to offer high VfM.</p>	
<b>VFM All Options</b>		
<b>Option</b>	<b>BCR</b>	<b>NPSV</b>
<b>Intermediate Option</b>	2.05	£888,864
<b>Do Something</b>	2.48	£2,178,995
<b>Do Maximum</b>	3.52	£2,616,066
<b>Do Maximum with Contingency</b>	2.44	£2,154,994
<b>Sensitivity 1</b>	1.58	£862,468

<sup>6</sup> [Measuring impact | Sport England](#)

<sup>7</sup> [Quantifying and Valuing the Wellbeing Impacts of Culture and Sport](#)

2.4 OPTIONS ANALYSIS AND APPRAISAL

**Analysis – Please identify a minimum of 4 options and complete a shortlisting exercise within the table below; options must include ‘BAU/Do Nothing’ and ‘Do Minimum’.**

A full appraisal of the two options, do-nothing and do-something, considered is set out in **Annex C – Sandwell Aquatic Centre Technical Note** accompanying this BJC.

Table 11 – Options			
Option	Description	Shortlisted (S) / Rejected	Meets Objectives? (Y/N)
1. Do-nothing (closure)	SAC does not receive CWGLEF funding, SAC does not open until preferential rates are found	(R)	N
2. Do-nothing (part closure)	SAC does not receive CWGLEF funding, SAC have a reduced service until preferential rates are found	(R)	N
3. Do-nothing (retain current service)	SAC does not receive CWGLEF funding, SAC to maintain the current level of service	(R)	N
4. Do-nothing (Counterfactual)	SAC does not receive CWGLEF funding, TLC is closed for two years to recover the cost.	(S)	N
5. Intermediate Option	SAC receives does not receive CWGLEF funding, TLC is closed for a period of time until partnership funding can be found.	(S)	N
6. Do-something	SAC receives CWGLEF funding and forward purchased 50% of forecasted energy units. TLC remains open and operates at the current baseline.	(S)	Y
7. Do maximum	SAC receives CWGLEF funding and forward purchased 100% of forecasted energy units. TLC remains open and operates at the current baseline.	(R)	Y
8. Do maximum with contingency	SAC receives CWGLEF funding and forward purchased 100% of forecasted energy units, with an additional 30% in contingency, TLC remains open and operates at the current baseline.	(S)	N
9. Sensitivity 1	SAC receives CWGLEF funding, TLC remains open and operates at the current baseline. An increase in displacement is used to model a greater number of Tipton users are able to access alternative leisure facilities.	(S)	Y

**Appraisal –** Using the same option numbering above, complete the following options appraisal summary:

All economic benefits that arise will be due to:

- Quality Adjusted Life Years (QALYs) gained and reduced NHS expenditure

- Wellbeing
- Jobs Safeguarded

**Table 12 – Appraisal**

<b>Option</b>	<b>Net Costs</b> (capex and opex)	<b>Benefits that arise</b> (Monetary and non-monetary)	<b>Risks associated.</b>
1. Do-nothing (Closure of SAC)	<b>£0</b>	Cost saving to SLT of £1,297,547  The closing of SAC has no associated economic benefits.	<ul style="list-style-type: none"> <li>● Reputational risk – closing a recently opened leisure centre.</li> <li>● Not meeting critical success factor 1</li> </ul>
2. Do-nothing (Part time closure of SAC)	<b>£0</b>	These options would not create the cost saving required. There would be limited reduction in the cost of utilities, as the pool would have to remain heated for the days that SAC would be in use.  Any cost saving through other utilities or staff would also be mitigated through lost revenues	<ul style="list-style-type: none"> <li>● Reputational risk – closing a recently opened leisure centre.</li> <li>● Lower revenues could result in the deficit remaining.</li> <li>● Not meeting critical success factor 1, 2 and 3</li> </ul>
3. Do-nothing (Retain the current level of service)	<b>£1,477,227</b>	<b>£3,656,221</b>	<ul style="list-style-type: none"> <li>● Increased level of deficit at SAC would not be sustainable and would create risk of further centre closures (e.g. Tipton) to cover higher losses.</li> <li>● Not meeting critical success factor 1 and 2</li> </ul>
4. Do-nothing (Counterfactual)	<b>£0</b>	Cost saving to SLT of £976,203  The closing of TLC has no associated economic benefits.	<ul style="list-style-type: none"> <li>● Reputational risk – closing a recently opened leisure centre.</li> <li>● Not meeting critical success factor 1</li> <li>● As the DN scenario meeting the most success factors and keeping SAC this is selected as the counterfactual.</li> </ul>
5. Intermediate Option	<b>£844,882</b>	<b>£1,737,945</b>	<ul style="list-style-type: none"> <li>● Reputational risk – closing a recently opened leisure centre.</li> <li>● Not meeting critical success factor 3, partnership funding may not be found, and TLC remains closed during 24/25</li> </ul>
6. Do-something (Preferred Option)	<b>£1,477,227</b>	<b>£3,656,221</b>	<ul style="list-style-type: none"> <li>● Cost increased due to energy purchased at market rates – mitigated through a continent and review process.</li> <li>● Meets critical success factors</li> </ul>
7. Do maximum	<b>£945,596</b>	<b>£3,656,221</b>	<ul style="list-style-type: none"> <li>● Does not meet critical success factor 2</li> </ul>
8. Do maximum with contingency	<b>£1,501,277</b>	<b>£3,656,221</b>	<ul style="list-style-type: none"> <li>● Meets mostly critical success factors, only partly meeting factor 2</li> </ul>
9. Sensitivity 1	<b>£1,477,227</b>	<b>£2,339,982</b>	

## 2.5 RECOMMENDED/PREFERRED OPTION

**Please confirm which Option you deem to be the preferred option. Conclusions should be drawn on each of the different options considered in terms of cost, benefit, risk and its ability to meet the spending objectives.**

As detailed in **Annex C – Sandwell Aquatic Centre Technical Note**, the do-something option, which sees SAC receive CWGLEF funding, generates a BCR of 2.48. This BCR has been reached using cautious assessments of health, wellbeing and job creation benefits, associated with SAC's opening and all existing Sandwell leisure facilities also remaining open. This option (6) is the Preferred Scenario.

A do maximum with contingency option (8) does meet most of the Critical Success Factors, however the lack of ability to buy energy at a lower market rate and reduce the overall spending of the project means it is not the preferred option.

A sensitivity is also run where displacement is increased to 60%, suggesting that 60% of the users of Tipton are able to access another leisure centre with the closing of Tipton. In this scenario, the do-something approach still has a medium BCR of 1.58, also providing value for money.

### 3 COMMERCIAL CASE

#### COMMERCIALLY VIABLE AND ATTRACTIVE TO THE SUPPLY SIDE

##### 3.1 EXPECTED OUTPUTS

List the goods, services and works that will be procured in relation to the recommended / preferred option within the table below:

Table 13 – Output	
<b>Output 1</b>	SLT to procure energy supply. CWGLEF funding can only be used to bridge the gap between what the utilities were originally budgeted to cost (£300k p.a.) and what they're now projected to cost. A total increase of £1,395,754 over 2023/24 and 2024/25 is forecast.  This is the only good that will be procured as part of the preferred option.

The number of units forecasted to be procured for SAC using both the existing budget, and CWGLEF funding is shown in the table below. The number of units to be procured in the contingency line, is calculated using the total contingency for that quarter and divided by the forecasted commodity price at the time.

Table 14 – Energy Units							
Year	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Gas (kWh)							
<b>Commodity</b>	505,873	580,817	580,817	580,817	580,817	580,817	580,817
<b>Non-Commodity</b>	505,874	580,818	580,818	580,818	580,818	580,818	580,818
<b>Contingency</b>	388,402	445,943	445,943	445,943	445,943	445,943	445,943
<b>Total</b>	1,400,149	1,607,578	1,607,578	1,607,578	1,607,578	1,607,578	1,607,578
Electricity (kWh)							
<b>Commodity</b>	154,684	177,600	177,600	177,600	177,600	177,600	177,600
<b>Non-Commodity</b>	154,684	177,600	177,600	177,600	177,600	177,600	177,600
<b>Contingency</b>	80,873	92,855	92,855	92,855	92,855	92,855	92,855
<b>Total</b>	390,242	448,055	448,055	448,055	448,055	448,055	448,055

##### 3.2 ROUTE TO PROCUREMENT AND EXISTING RULES AND REGULATIONS

State the ability of the marketplace to provide the required goods or services and the attractiveness of this proposal to potential service providers. Also include detail on how the respective procurement and legal teams have been consulted with regards to the impact of subsidy control on the project (including HR/IT personnel implications).

Under the Council's agreement with SLT, the Trust procures energy supply. SLT has an agreement with Northern Gas and Power as brokers for the supply of gas and electricity to 2027 for all facilities that they currently manage. This does not, however, extend to new facilities, such as SAC.

The energy contract for SAC will be procured through a flexible purchase contract which enables energy to be purchased in tranches of a maximum of 2 trades per month to secure the best prices available in the prevailing market conditions. SLT will work with traders whose sole job is to monitor the markets on a daily basis to develop an agreed strategy. At present, the chosen strategy is to forward buy 50% of the anticipated SAC energy requirements to March 2025 to lock-in current (more favourable) prices whilst retaining the potential to benefit from further market reductions.

To offer a competitive procurement alternative and secure the best value, SMBC are currently assessing whether their partnership with ESPO can secure more competitive energy tariffs. If this is the case and can be executed compliantly, SMBC will lease SAC to SLT inclusive of energy supply and recharge accordingly.

The final agreed procurement route will be compliant with the public contracts regulations (PCR) and any relevant legislation.

#### Subsidy Control

SMBC have concluded the subsidy control assessment based on revised counsel advice. This has indicated that the operation of the leisure centres is not within the scope of the Subsidy Control Act 2022 as it does not confer an economic advantage on the operator.

### 3.3 CHARGING MECHANISM

**State how the project intends to make payment for its key services and outputs over the expected lifespan of the contract(s) and to tie down risks in the charging mechanism. Include details of the contract for the deal.**

The agreed payment method is payment via Direct Debit to the energy supplier Npower. SLT manages the contract for SAC through a leasing facility (as is the current arrangement at the other facilities) and so it would be SLT who are responsible for the payment of the direct debit to Npower.

### 3.4 RISK APPORTIONMENT

**Clarify the potential risk apportionment and identify how the service risks in the design, build, funding and operational (DBFO) phases of the project may be apportioned between the public and private sectors.**

**This should align to the Risk Register appended to this BJC.**

During the operational phase, SLT are primarily responsible for the risk.

SLT have an established system for identifying, evaluating and managing the significant risks faced by the charitable company and a risk log is an integral part of the annual operational plan which is agreed by the Board.

Board Members have been actively involved in identifying and managing the risks to which SLT are exposed. The SLT risk log is reviewed by the Executive team every quarter and an updated version is presented to the Board every six months.

A risk register prepared by SLT for SAC has been attached in **Annex A**. This risk log will be reviewed monthly at meetings with the WMCA.

At SMBC, the progress of the leisure service and SAC is reported on a regular basis to the Cabinet Member who has broad delegated authority. The SAC is also reported to the Safer Neighbourhoods and Active Communities Scrutiny Panel.

## 4 FINANCIAL CASE

### AFFORDABLE AND FUNDABLE OVER TIME

#### 4.1 CAPITAL AND REVENUE FUNDING STATEMENT

A summary of the overall affordability of the project and the funding that has been secured to date must be provided.

All secured funding identified below should be verified by a written confirmation attached to this BJC with details of any conditions etc.

Table 15 – Overall Funding Required		
	Status (Secured / Not Secured )	£M
<b>Gross Costs</b>		
<b>Revenue</b>	(£515,323) Secured – Budgeted as part of the original SAC utilities projection (£1,395,754) Not secured – the purpose of this application	£1,911,077
<b>Capital</b>	N/A	-
<b>Total</b>		<b>£1,911,077</b>

Table 16 – Sources of Funding				
Funder	Amount	% of Total	Status (Secured / Not Secured)	Details of Funding Status / Timing / Conditions etc.
Sandwell Metropolitan Borough Council	£515,323	27	Secured	Budgeted as part of the original SAC utilities projection
WMCA (CWGLEF)	£1,395,754	73	Not secured	Purpose of this BJC. The specific amount is calculated by the increases in SAC energy costs from the original £300k p.a. budget.
<b>Total</b>	<b>£1,911,077</b>	<b>100.0</b>		

#### 4.2 OVERVIEW OF FUNDING AND AFFORDABILITY SUMMARY

**A written summary of the overall affordability of the project and the funding that has been secured to date must be provided. Where there is a shortfall in available funding, provide details of how this will be addressed, and the level of contingency included.**



**FUNDING OVERVIEW**

Sandwell Aquatic Centre has the potential to provide local residents with state-of-the-art facilities to engage in a range of physical activities. The Centre’s offering is attractive to both active residents and those currently disengaged with sports. CWGLEF is considered the funder of last resort, supporting SAC with current cost pressures that cannot be mitigated by other means. For instance, SAC will look to Sport England’s £63m swimming pools fund, as announced in 2023’s Spring Budget. The fund will potentially be used to further support inflated energy costs and facilitate carbon reduction schemes.

In addition, SMBC has commissioned energy efficiency audits of all Council-owned sites including SAC and will implement recommendations where practicable. SMBC and SLT continue to closely monitor energy markets and will seek to secure the most efficient supply contracts.

However, the swimming pools fund is not yet active, and the audit is ongoing, therefore there is no short-term options aside from a reduction in other services from SLT, to reduce SAC’s current financial deficit.

This BJC is to secure £1,395,754 of funding, to cover the impact of cost pressure, from the CWGLEF. The funding itself is constrained in use, being only available to bridge the gap between what the utilities were originally assessed as an actual cost to be incurred in 2023/24 and 2024/25.

**AFFORDABILITY SUMMARY**

SLT has now progressed supply contracts to cover the first 2 years of operation, which indicates costs will exceed the budgeted cost (£300k p.a.) The strategy is to secure 50% of supply at current market tariffs, leaving 50% variable to benefit from potential further market reductions.

The latest estimates for these contracts have been attached as Annexes D and E. The forecasts start 01/08/2023 and have been presented yearly. The forecasts have been reprofiled to align with financial years, to match the end date for eligible CWGLEF spending on 31<sup>st</sup> March 2025. The start date for Utilities spend is modelled as the 13<sup>th</sup> July. As such, **Table 17** (presented below) will not directly align with the cost estimates provided in Annexes D and E.

The total annual spending for Years 1 and 2 is presented in the table below. The latest forecast show that energy cost is more than £850k p.a. in Year 2, a £550,000 increase on the original utilities budget used for the 2018 business plan.

<b>Table 17 – Npower Energy Forecast (Npower - May 2023)</b>		
	<b>Year 1 (2023/24)</b>	<b>Year 2 (2024/25)</b>
<b>Electricity</b>		
Commodity	£142,946	£190,286
Non-Commodity	£152,463	£212,420
<b>Total Annual Spend</b>	<b>£295,409</b>	<b>£402,706</b>
<b>Gas</b>		
Commodity	£139,244	£218,112
Non-Commodity	£150,743	£210,024
Standing Charge	£19,322	£26,921
<b>Total Annual Spend</b>	<b>£309,309</b>	<b>£455,057</b>

This is a cost increase from the original baseline budget of £947,158. This figure would represent the total spend of the project if the energy forecasts are 100% accurate.

<b>Table 18</b>			
<b>Year</b>	<b>Total</b>	<b>Original Budget (Based on 300k P.A.)</b>	<b>Cost Increase</b>
<b>2023/24</b> (Commencing 13/07/2023)	£604,718	£215,323	£389,395
<b>2024/25</b>	£857,763	£300,000	£557,763
<b>Total</b>	£1,462,481	£515,323	£947,158

As the energy forecast provided to SMBC notes:

- these prices represent our indicative view of the offer prices available in wholesale energy markets at the time of publication relative to the prices from our previous report. As such actual prices quoted to you may differ significantly from the prices stated. This applies particularly where there is a delay between time of publication and quote and also at times of high market volatility.

The forecast therefore has two sources of uncertainty, both in the market price of energy and in energy units required. The level of energy consumption remains an estimate, only once the centre is operated in post-games “legacy mode” will consumption be clear.

To build a contingency for price changes or the level of energy required in 2023/24 and 2024/25, the May 2023 Npower forecast (Annexes D and E) is compared to an earlier forecast, completed in February 2023 (Annex J) at a time of higher energy prices. **Table 19** shows the total forecast for Gas and Electricity cost in 2023/24 and 2024/25.

<b>Table 19 – Energy Forecast Comparison</b>			
	<b>Npower Energy Forecast (May 2023)</b>	<b>Energy forecast (Feb 2023)</b>	<b>% Increase</b>
Gas	£764,366	£1,357,684	77%
Electricity	£698,115	£1,067,121	52%
<b>Total</b>	<b>£1,462,481</b>	<b>£2,424,805</b>	

In a scenario where total energy cost increase from the May forecast to the level of the previous February 2023 forecast (where energy prices were higher), SAC could see an increase of 77% in gas costs and 52% in electricity cost. Given the uncertainty over price and consumption, a contingency has been included in this BJC.

The total ask for this business case therefore includes an 77% increase in the total cost of all Gas brought at the market rates, and a 52% increase in total cost of all electricity brought at the market rate, with the 50% of energy that has been forward purchased costing the same as the Npower Forecast (May 2023). Energy purchases at the market rate at the time is labelled as ‘commodity’ in the table below and in Annexes D and E.

A summary of the implications for this contingency is presented in the table below.

<b>Table 20 – Npower Energy Forecast (May 2023)</b>		
	<b>Npower Forecast</b>	<b>Npower Forecast with Contingency</b>
<b>Electricity</b>		
Commodity	£333,232	£507,455
Non-Commodity	£364,883	£364,883
Total Annual Spend	£698,115	£872,338
<b>Gas</b>		
Commodity	£357,356	£631,729
Non-Commodity	£360,767	£360,767
Standing Charge	£46,243	£46,243
Total Annual Spend	£764,366	£1,038,739
<b>Total</b>		
<b>Total Utilities Cost</b>	<b>£1,462,481</b>	<b>£1,911,077</b>
<b>Original Budget</b>	<b>£515,323</b>	<b>£515,323</b>
<b>BJC Ask</b>	<b>£947,158</b>	<b>£1,395,754</b>

A contingency allowance brings the total cost forecast to £1,911,077 for 2023/24 and 2024/25. Subtraction of the utilities covered by the original budget gives the ask for this business case of £1,395,754.

In event of a cost increase in utilities over this amount, SMBC would be accountable for the remaining energy costs.

#### FUTURE FUNDING STREAM

Work to secure a long-term solution to utilities costs will remain ongoing throughout the project. Some of the key actions that will be undertaken include:

- Leisure Energy have been commissioned to conduct energy efficiency audits and assessments of all the current facilities plus SAC.
- Early engagement with Sport England, Swim England and DCMS regarding the utility cost pressures. The Sport England “Swimming Pool Support Fund”<sup>8</sup> may offer future funding opportunities.

<sup>8</sup> [Managing the impact of higher energy costs on community leisure provision | Sport England](#)

SLT is also committed to reducing its carbon footprint and incorporating green technologies. SLT have installed Combined Heat and Power (CHP) units at some leisure facilities. These units enable energy to be used more efficiently by converting excess heat into power to support the running of the facility. Using this and other innovative technology, SLT and SMBC will continue to benchmark within the leisure industry to develop new ways of working and adopt best practice, helping to reduce costs<sup>9</sup>.

This work will process the long-term reduction in utilities costs and provide a route to all leisure centres having long term financial sustainability.

Complete the table below to provide an overview of WMCA funding:

<b>Table 21 – WMCA Funding Overview</b>	
<b>Funding Type</b> <i>Grant / Cashflow (repayable) / Underwrite</i>	<i>Grant</i>
<b>Funding Commencement Date</b>	31/12/2023 Funding will commence following DCMS and WMCA Investment Board approval and the SAF process has been complete. With this approval expected in October or November 2023, the first payment would be expected at the end of the December 2023 quarter.
<b>Funding Completion Date</b>	31/12/2024 Quarterly payments in arrears will mean that no payment can be made after the December 2024 quarter, as funding needs to be spent by 31 March 2025
<b>Basis of Reimbursement</b> <i>Quarterly in arrears of expenditure incurred (WMCA Standard)</i>	Quarterly arrears payments are expected for this business case. There is not expected to be a cashflow issue for SMBC.
<b>Any Conditions Precedent?</b> <i>e.g. securing DfT funding. Include any spend deadlines, eligible spend outputs and high priority items likely to be included in any Conditional Grant offers or development agreements in principle (Heads of Terms)</i>	The grant from the Commonwealth Games Legacy Fund can only be used to bridge the gap between what the utilities were originally budgeted to cost (£300k p.a.) and the actual expenditure. This spending can only occur within the financial years 2023/24 and 2024/25. The total payment for each quarter is claimed quarterly in arrears based on actual expenditure. <ul style="list-style-type: none"><li>• A review of spend and the cost of Utilities will occur at the end of Q4 2023, and at the end of Q1 2024.</li></ul>

<sup>9</sup>[charity-search \(charitycommission.gov.uk\)](https://www.charity-commission.gov.uk/charity-search)

	<ul style="list-style-type: none"> <li>• After the completion of Q1 2024 all underspend to that point will be released for reallocation. Underspend is considered the difference between the energy cost forecast with contingency, and actual expenditure.</li> <li>• For the remaining period to the project end date (March 31<sup>st</sup>, 2025), an updated forecast is to be produced, which should more accurately account for units and energy prices required for the remaining year. From this forecast, any CWGLEF funding that is now forecast to be unspent is released, subject to a contingency agreement between WMCA and SMBC. Any remaining unspent will be released at the end of Q4 2024.</li> </ul> <p>Quarterly in arrears payments to Sandwell MBC will be made in receipt of actual spend and variance in the last quarter. This will mean that no payment can be made after the December 2024 quarter, therefore funding for Q1 2025 will have to also be agreed at that time, based upon forecasts at that time. Subject to Investment Board approval of the BJC his will be reflected in the WMCA grant award. The grant agreement will reflect the DCMS grant conditions to the WMCA appropriate to this project including potential clawback of any underspend. This will be redistributed in line with the WMCA's Investment Board agreement on change control policy.</p>
<p><b>Order in which WMCA Funding is to be drawn</b></p> <p><i>1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup></i></p>	1 <sup>st</sup>
<p><b>Work streams for which WMCA Funding is available to be drawn against</b></p> <p><i>e.g. all / workstream 1, 3 and 4 etc.</i></p>	All

#### 4.3 BORROWING SUMMARY

Please state if any element of the project costs is to be financed by borrowing.

No borrowing is required.

#### 4.4 CASHFLOW

Complete the cash flow table below setting out both income and expenditure. Amend fiscal year dates as required and number of funding sources.

**The cash flow presented refers only to the utility cost for the Sandwell Aquatic Centre. Cashflow for the full operation of the Sandwell Aquatic Centre is presented in Annex F.**

Table 22 – Two Year Cashflow (£)								
Year	Total	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
<b>Income (£)</b>								
Original Budget (Based on 300k P.A.)	£515,323	£65,323	£75,000	£75,000	£75,000	£75,000	£75,000	£75,000
CWGLEF	£1,395,754	£0	£372,139	£198,902	£198,902	£206,178	£419,633	£0
<b>Expenditure (£)</b>								
Revenue (Npower Forecast)	£1,462,481	£183,454	£210,632	£210,632	£210,632	£214,441	£216,345	£216,345
Revenue (Utilities Contingency)	£448,596	£55,106	£63,270	£63,270	£63,270	£66,738	£68,471	£68,471
Capital	£0	£0	£0	£0	£0	£0	£0	£0
Cumulative Net position	£0	- £173,237	£0	£0	£0	£0	£284,816	£0

#### 4.5 STAKEHOLDER SUPPORT

Evidence of stakeholder support must be provided where other public sector organisations are funding the project's outputs and services.

Ongoing support from SMBC is provided in Minute no 18/23 from the SMBC Cabinet Meeting (15 February 2023). Item 6 requests Cabinet approval for the 2023/24 budget appendices. The management fee budget is shown within the Borough Economy appendix. The minute relates to Cabinet approval of Directorate budgets – which includes the leisure management fee.

## 5 MANAGEMENT CASE

*CAN BE DELIVERED SUCCESSFULLY BY THE ORGANISATION AND ITS PARTNERS*

### 5.1 MANAGEMENT AND GOVERNANCE

**Provide an overview of the necessary management and governance arrangements both in the delivery phase and in operation i.e., include detail on: Governance and decision-making arrangements; Change management arrangements (inc. reference to WMCA Change Process); Benefits realisation arrangements and plans, including benefits register; Contract management arrangements; Post evaluation arrangements.**

#### • GOVERNANCE AND DECISION-MAKING ARRANGEMENTS

##### Delivery Phase

During the delivery phase, from SMBC the key roles are;

- Ben Percival – Senior Responsible Officer
- Mark Braithwaite – SLT Chief Executive Officer
- David Wilcock and Mark Bodley – Legal
- Rebecca Maher – Finance

##### Operation Phase

SLT will lead the operation phase and make operational decisions. SLT report on performance monthly at officer level. There are performance boards, which include financial reconciliation and escalation of issues. If the CWGLEF requires additional governance, this will be complied with<sup>10</sup>.

The SLT Board is responsible for matters of key strategic importance and delegates financial authority to the Chief Executive and other Trust Managers via a clearly defined scheme of delegation. In addition, the Board has delegated authority to the Remuneration Sub-Committee and the Chief Executive and agreed Sub-Committees will be brought together to deal with finance/employment and governance matters as required.

The SLT board is formed of<sup>11</sup>;

- Lynda Bateman (Chair)
- Penny Venables (Trustee)
- Paul Piddock (Trustee)
- Pamela Kaur (Trustee)
- Tom Barter (Trustee)

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<sup>10</sup> [charity-search \(charitycommission.gov.uk\)](https://www.charity-commission.gov.uk/charity-search)

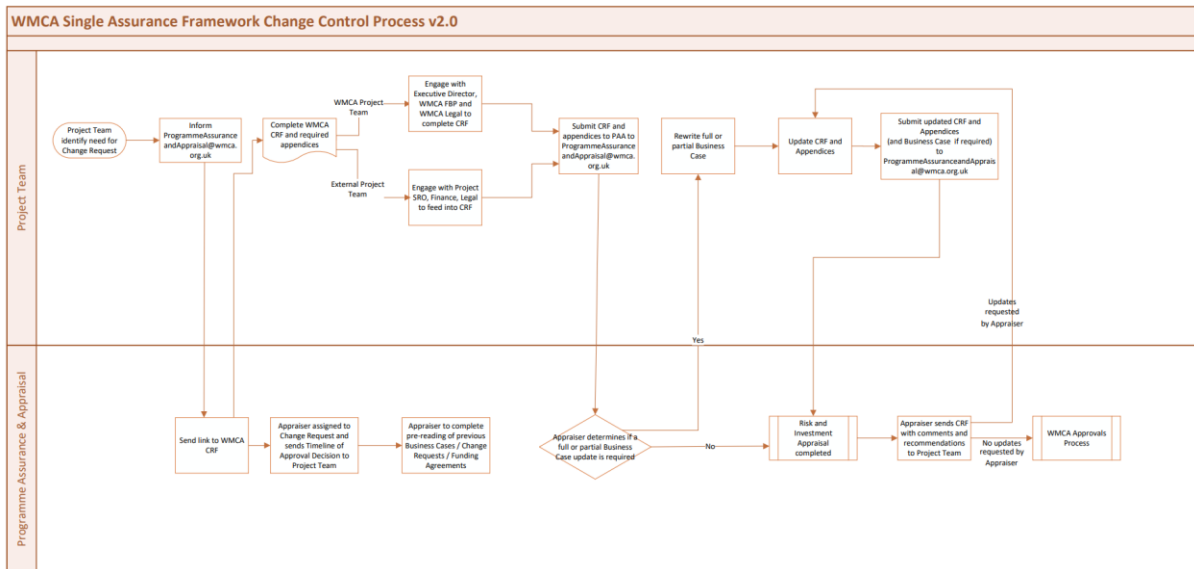
<sup>11</sup> [Trustees, SANDWELL LEISURE TRUST - 1102431, Register of Charities - The Charity Commission](https://www.charity-commission.gov.uk/register-of-charities/sandwell-leisure-trust-1102431)

- Valerie McFarland (Employee representative)
- Cllr Richard McVittie (Sandwell Council representative)

• CHANGE MANAGEMENT ARRANGEMENTS (INC. REFERENCE TO WMCA CHANGE PROCESS)

In the event there is a change requirement to the business case it will be the role of SMBC Senior Responsible officer to manage the change process, using the change process below as a guide.

Figure 7: WMCA Single Assurance Framework Change Control Process



Source: Visio-SAF Governance Flowcharts.vsdx (wmca.org.uk)

• BENEFITS REALISATION ARRANGEMENTS AND PLANS, INCLUDING BENEFITS REGISTER

Identifying and monitoring benefits and beneficiaries will be an ongoing process throughout the project period and post completion. SLT will use an XN platform to monitor a number of key indicators of the SAC, including beneficiaries to understand the level and type of use at SAC. Full detail is provided in Section 5.10.

• CONTRACT MANAGEMENT ARRANGEMENTS

With the approval of the proposal, two agreements will need to be in place before the release of any funds, currently stated at the end of the quarter December 2023.

- A grant funding agreement between SMBC and WMCA
- The agreement will include consequential flow-down of funding conditions imposed on WMCA by DCMS.

The direct award of the operation of SAC to SLT was in accordance with the extant Management and Funding Agreement between Sandwell Council and SLT, which is attached in full to this BJC as **Annex H**.

The contract between SLT and Sandwell Council will be managed as outlined above as part of established monthly and quarterly contract monitoring meetings.

Operationally SLT are lead and make operational decisions. SLT report on performance monthly at officer level. Quarterly there are performance boards, which include financial reconciliation and escalation of issues. If the CWGLEF requires additional governance, this will be complied with.



• POST EVALUATION ARRANGEMENTS

Post project evaluations will be ongoing during and after the project. SLT will use an XN platform to monitor a number of key indicators of the SAC. Full detail is provided in section 5.10.

5.2 PROJECT SCHEDULE FOR DELIVERY

**The key project milestones table below is a summary of those key milestones aligned to the Project Schedule, which must be appended to this BJC. Include a longstop date by which all monies for development of this SOC needs to be drawn.**

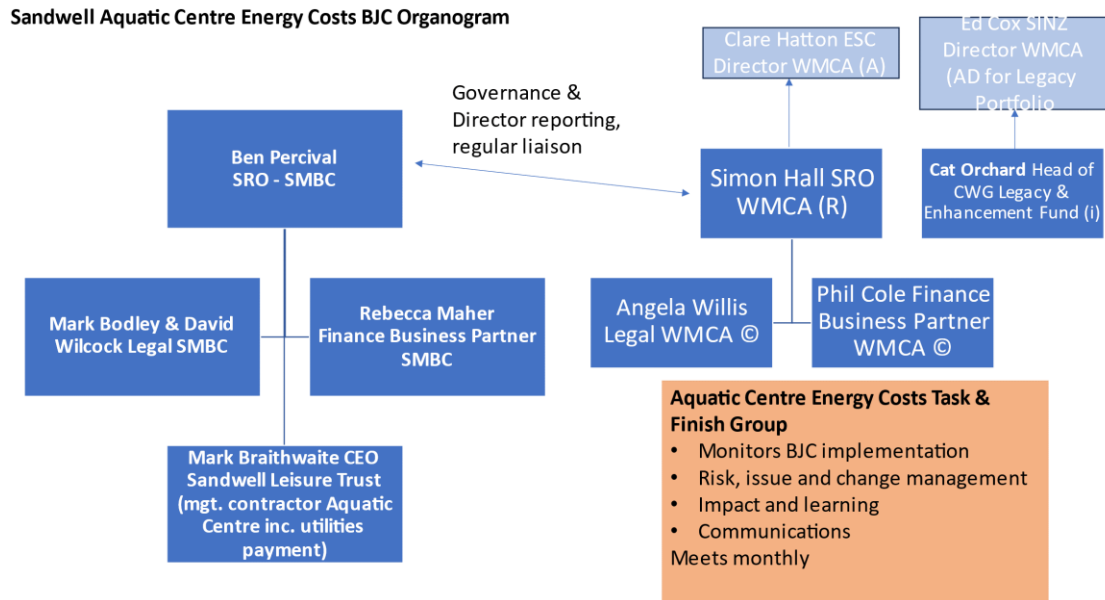
In addition to the delivery schedules listed in the table, both the delivery and mobilisation plan for the Sandwell Aquatic Centre are provided in **Annex A** and **Annex G**.

<b>Table 23 - Project Milestones</b>			
#	Milestone	Start Date	End Date
1.	First Draft Provided to WMCA	23/05/2023	23/05/2023
2.	WMCA Legal and Procurement Comments	23/05/2023	05/06/2023
3.	Final submission for SAF assessment	06/06/2023	17/07/2023
4.	CWGLEF Investment Panel	October 2023	November 2023
5.	CWGLEF Investment Board	October 2023	November 2023
5.	Handover of Sandwell Aquatic Centre from contractor	13 <sup>th</sup> July 2023	n/a
6.	Sandwell Aquatic Centre opens to the public	24 <sup>th</sup> July	n/a
7.	Draw down funding from CWGLEF to cover abnormal Utilities costs – Note the start date is dependent on the Timing of the CWGLEF investment board. This date is an estimate	31/12/2023	31/12/2025
8	Quarterly reporting to Leisure Contract Review Board	01/11/23	31/03/25
9	Monthly utility consumption review to Leisure Contract Management Meeting	01/11/23	31/03/25
10	Project review – year 1	01/04/24	01/04/24
11	6-monthly review of energy tariffs / buying strategy with brokers	01/02/24	31/03/25
12.	Longstop date for claims period*		31/12/2025

*\*There is an agreement between SMBC, SLT and WMCA that there will be no requirement to fund beyond March 2025. As part of the project the Council will develop an exit strategy to be informed by the performance of the leisure portfolio and movements in energy markets. Quarterly payments in arrears will mean that no payment can be made after the December 2024 quarter, as funding needs to be spent by 31 March 2025.*

5.3 PROJECT ORGANOGRAM

Figure 8: Development / Delivery Phase Project Organogram



Source: SMBC

Operational Phase Project Organogram – see Annex K.

#### 5.4 PROJECT DELIVERY ROLES AND RESPONSIBILITIES

Classify the roles and tasks to determine who is Responsible ( R ) , Accountable ( A ) , Consulted ( C ) and Informed ( I ).

**Responsible** - The individual(s) with responsibility for the task or deliverable is typically responsible for developing the deliverable or completing the activity. The persons responsible are typically working-level project team members, such as the project manager, business analyst, developers, or those who create marketing material and technical documentation, for example. These are the doers.

**Accountable** - The accountable party is typically the person or group responsible for ensuring the work is complete and suitable. This is usually someone with signature authority or the decision-maker. The accountable parties are typically the business owner, business sponsor, steering committee, key stakeholders, information security or governance bodies, or the manager of the key responsible party.

**Consulted** - Consulted individuals are those from whom feedback and input should be solicited. Consulted parties could be legal, information security, compliance, and subject matter experts (SMEs) from other departments in the organisation that could be impacted. If you are working on new product development, this could essentially be the entire organisation.

Informed - Informed persons are those you simply want to keep in the loop. These individuals do not have to be consulted or be a part of the decision making. Keep this group on your cc list for awareness of topics, decisions, and progress. Also, invite this group as optional attendees for kick-off meetings and project demos.

<b>Table 24 – RACI Matrix</b>							
	<b>SLT CEO</b>	<b>SMBC SRO</b>	<b>SMBC Legal &amp; Finance</b>	<b>WMCA SRO</b>	<b>WMCA Director</b>	<b>WMCA Legal &amp; Finance</b>	<b>WMCA Head of CWGLEF</b>
<b>Agree revised energy supplier contract for SAC</b>	R	A	C	C	I	I	I
<b>Utilities payments for SAC</b>	R	A	C	I	I	I	I
<b>Change process for CWGLEF funding</b>	R	I	A	C	I	I	I
<b>Risk monitoring and management</b>	R	A	C	C	I	I	I
<b>Monitoring of outputs/outcomes</b>	R	A	C	R	A	C	I
<b>Project Assurance</b>	R	A	C	R	A	C	I

At this stage it is difficult to prepare a detailed RACI chart. Fundamentally this is funding to underwrite a specific cost pressure associated to an existing project. As such there isn't really a Work Breakdown Structure (WBS) or discrete work packages. We have therefore provided a high-level chart centred on operational decisions (including energy supplier contracting), change and risk management (should energy prices necessitate further discussions between SMBC and WMCA), reporting and realisation of expected benefits.

#### 5.5 USE OF SPECIALIST ADVISERS

**Specify what support and SME advice is required from outside the project team. Include both resources inside your organisation (e.g. legal and finance) and those outside (e.g. technical consultants)**

##### Financial

- Phil Cole, WMCA ESC Directorate Business Partner – assessed and advised on the energy tariffs and cash flow forecast as well reprofiling the finance.

##### Legal

- SMBC have evaluated their position on subsidy control with Bevan Brittan as their legal advisers. SMBC have concluded the subsidy control assessment based on revised counsel advice. This has indicated that the operation of the leisure centres is not within the scope of the Subsidy Control Act 2022 as it does not confer an economic advantage on the operator. Angela Willis – WMCA Legal has had the opportunity to comment on the legal issues that this BJC

raises. Given the nature of the project, she has deferred the legal requirements to Sandwell MBC prior to any grant agreement.

### Procurement

- Sandwell MBC's procurement of energy supply, technical expertise and of Sandwell Leisure Trust management of the Aquatic Centre is in accordance with Council Policy and Practice.
- WMCA procurement team (Brad Benson) has been consulted as part of the development of the Business Justification and sought clarification on the Council's procurement Strategy and management as described above as well as how the Council would make payments from this grant to Sandwell Leisure Trust. This has been outlined in the Business Justification Case.

### Technical and Programme

- Leisure Energy has been commissioned to conduct energy efficiency audits and assessments of all the current facilities plus SAC
- Mott MacDonald has been commissioned by SMBC to provide a BJC to support the funding application.
- The WMCA has allocated Simon Hall the Accountable officer role given his responsibilities and experience in the sport sector.

### Project management

- SMBC has commissioned external advice from Prominent TLS to develop the business case for the leisure operation – which has been used to verify the management fee to be paid to SLT.

## 5.6 RISK AND ISSUE MANAGEMENT

**State how risk is managed and confirm that the risk register is an integral part of project management meetings. The information provided should align to the Risk Register and Issue Log attached with this BJC.**

Sandwell Leisure Trust has developed a risk log to help the Board and Management team identify and minimise any risk facing SAC. The full risk register is presented in **Annex A**.

The Risk Log is reviewed internally, with the finding presented during board meetings to provide a clear and up-to-date account of the risk the project faces, and the mitigation strategies in place. The log is structured so the primary risk score takes account of the existing control measures and their effectiveness/ Where a residual risk score is red, it is expected that the contingency / falling plans are in preparation or in place. Where the residual risk is amber, it is expected that monitoring arrangements are in place to ensure the score does not increase. This risk log will be reviewed monthly at meetings with the WMCA.

During the operation of the SAC, SLT will operate a rigorous business planning process whereby corporate objectives and targets directed by the Board and agreed upon SMBC cascade down the Trust's Business Plan, Action Plans and employees' personal objectives. This process is fully embedded into SLT planning and budgeting cycles and is an integral part of our operation and performance.

SLT has an established system for identifying, evaluating and managing the significant risks faced by the charitable company and a risk log is an integral part of the annual operational plan which is

agreed by the Board. The Board Members have been actively involved in identifying and managing the risks to which we are exposed.

In addition the board's current policy is to maintain uncommitted reserves of £500k to protect against downside cost risks identified in the risk register.

## 5.7 PROJECT ASSURANCE

### • ONGOING QUALITY ASSURANCE, MONITORING AND REPORTING - MEETINGS IN PLACE AND FREQUENCY OF PROGRESS REPORTING.

SLT is the operational lead and is responsible for decision-making. SLT report on performance monthly at the officer level. Quarterly there are performance boards, which include financial reconciliation and escalation of issues. If the CWGLEF requires additional governance, this will be complied with.

The contract between SLT and Sandwell Council will be managed as outlined above as part of established monthly and quarterly contract monitoring meetings.

### **Progress will be reported against the SLT mobilisation plan.**

The overall updated and agreed terms of reference for the Audit and Risks Assurance Committee is presented in **Annex I**.

### • PLANNED OUT OF DIRECTORATE HEALTH CHECKS UNDERTAKEN BY THE WMCA PROGRAMME ASSURANCE AND APPRAISAL TEAM OR OTHER 2ND LINE OF DEFENCE ASSURANCE TEAMS - THE PLAN TO SEEK INDEPENDENT SUPPORT AND GUIDANCE OUTSIDE OF THE PROJECT TEAM

WMCA programme assurance team have agreed this BJC is to be assured using the following programme;

- Sandwell MBC's legal, finance and procurement
- WMCA, Legal and Procurement comments
- A formal review of this draft with all relevant stakeholders
- Review by the Programme Investment Board.
- Monthly monitoring meetings between Sandwell MBC and WMCA
- Budget review March 2024

### • EXTERNAL AND INTERNAL AUDIT/GOVERNMENT REVIEWS - PLANNED AUDITS THAT MAY BE A REQUIREMENT OF THE FUNDER/S

N/A

### • POST EVALUATION AND IMPLEMENTATION REVIEWS

Identifying and monitoring benefits and beneficiaries will be an ongoing process throughout the project period and post completion. SLT will use an XN platform to monitor a number of key indicators of the SAC, including beneficiaries to understand the level and type of use at SAC. Full detail is provided in section 5.10.

## 5.8 CONTINGENCY ARRANGEMENTS

**Set out the contingency plans in the event of any delays or disruptions to anticipated services.**

Though the agreed payment method is payment via Direct Debit to the energy supplier Npower, there remains a low risk that there will be the non-delivery of utilities to the SAC.

Budgets are closely monitored by SLT and updated through regular meetings with SMBC. Corrective action will be taken as necessary to keep within the agreed financial parameters.

A contingency has been added to the ask of this business case, to account for an increase in energy prices or greater-than-expected energy requirements. A full breakdown on the calculation of this contingency is presented in the financial case.

In the event there are energy cost increased beyond the ask of this business justification case SMBC would be accountable for the remaining energy costs.

**5.9 LESSONS LEARNT****Detail how Lessons Learnt have been considered during the development of this proposal and plans for capturing Lessons Learnt during this project.**

The progress of the leisure service and SAC is reported on a regular basis to the Cabinet Member who has broad delegated authority. The utility risk associated with the leisure facilities has been briefed to Sandwell Council's executive and leadership team on a regular basis since autumn 2022. Seeking external support for the pressure relating to SAC – because of its regional / national role and significance – was identified as a key mitigating action. The broader approach to the utility pressure is scheduled to be reported to SMBC Cabinet 18 October 2023 and will be available at <https://sandwell.moderngov.co.uk>.

The progress of this project will be reported to the quarterly SMBC / SLT Leisure Contract Review Board. This will be both the risk escalation route for the project and also the forum to capture lessons learned. This group will report to SMBC Cabinet as appropriate.

The SAC is also reported to the Safer Neighbourhoods and Active Communities Scrutiny Panel.

**5.10 MONITORING AND EVALUATION**

SLT will use an XN platform to monitor a number of key indicators. The service will provide a range of monitoring tools that can inform the SLT on the progress of the leisure centre against KPIs, based on the existing Service Agreement between SLT and SMBC. This service has already been included within the operating budget and will commence when SAC open to the general public and will continue post-completion. Visit numbers for TLC will also be continually monitored.

Energy consumption (gas and electricity) for all sites including SAC will be routinely monitored and formally reported on a monthly basis to the SMBC / SLT Contract Management Meeting. This will compare utility consumption to industry standards to ensure that consumption is within the industry benchmarks for comparable facilities. Any anomalies will be investigated and escalated / mitigated as appropriate.

**Table 25** presents the services provided by the XN membership, including the GM dashboard.

<b>Table 25</b>
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Item	Project	Cost	Timeframe	ROI	Benefit
1	Course Hub – Swim Lesson Booking online	£1k p.a / site	10/07/23	Staff savings – automated processes	Customers can book LTS directly via website/portal
2	GM Dashboard	none	18/04/23	Reduction in reporting time	Automated dashboard and reports – including KPI's, participation, m/ship info
3	Staff Portal	£600 one-off	18/04/23	Improved customer journey	Ability for staff to emulate a customers Leisure Hub Account, to improve sign up experience in club and allow sales of site only membership as well as a tool for customer training and queue busting
4	Ticket Hub	2.5% per transaction	Available from go live of 2.27 LH. April 2023	Tbc	Facilitates casual swim bookings and children's activities more easily
5	Xn Pay Wallet	None	Available from go live of 2.27 LH. April 2023	Tbc	Allows customers to save card details allowing for a smoother check out and fewer dropped transactions
6	Reoccurring Card Payments / XN Pay	£495 Set up fee plus £0.12p per transaction	30/06/23	Reduced DD rejections	Reduces membership admin, automated recollection, reduces bank charges, allows payment via credit card

An example of the indicators available on the Dashboard available are presented below.

Figure 9: Dashboard Monitoring Example



Source: SMBC







**MANDATORY APPENDICES REQUIRED FOR THIS BJC**

The following documents must be appended to this BJC:

<b>APPENDIX</b>	<b>PROVIDED (Y/N)</b>
Risk Register and Issue Log	Y
Written Confirmation/s of Confirmed Funding	Y
Project Schedule	Y
If Investment Programme, Project Delivery Plan on a Page (POAP)	
If CRSTS, DfT Additional Appendix	