

CABINET COMMITTEE	DATE 19 August 2008	ITEM NO A.9
TITLE Acceptance of Grant of Sports and Play Equipment	WARDS All	
DECISION CLASSIFICATION Non-Key	FORWARD PLAN ITEM No	
CHIEF OFFICER Director of Culture and Community Services	CABINET MEMBERS Culture and Olympics	

1. Decision Required

The Cabinet Committee is requested to:-

- 1.1 Approve in principle, subject to the agreement of terms and to statutory consents, an offer from Adidas UK Ltd to supply and install a '2012 Zone' of outdoor gym and associated equipment.
- 1.2 Delegate to the Director of Culture and Community Services in consultation with the Leader of the Council and the Cabinet Member for Culture and Olympics to negotiate the terms of the offer in 1.1 and the location for the installation

2. Reasons for Decision

This report seeks to negotiate an agreement with Adidas UK Ltd to install and commission a 2012 Zone to open in coincidence with the Olympic handover to London in 2008.

3. Reasons for Urgency

A decision is required to enable the Council to negotiate an offer from Adidas Ltd to install equipment by October 2008

4. Report

- 4.1 Adidas UK Ltd, a subsidiary of Adidas Group, is a Tier 1 sponsor to the London 2012 Olympics. The company has engaged The Great Outdoor Gym Company (TGOGC) to conclude agreements with the five London host boroughs to install a range of outdoor sports equipment.

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- 4.2 The equipment installation will be free to use and accessible to both able bodied and disabled young people. The installation will include eleven items of outdoor gym equipment, a kick about area, mini amphitheatre for dance, aerobics, marshal arts and gymnastics, basketball court and tennis wall and traverse climbing wall. The total area is 22m x 24m (528m²) in the shape of the London 2012 logo.
- 4.3 The capital value of the proposed installation is expected to be in the region of £150,000. Property in the installation will pass to the Council following practical completion. The installation will be heavily branded with the sponsor's corporate identity and Olympic sponsorship branding, and the sponsors wish to reserve the right to maintain and renew the branding content over a ten year period from installation.
- 4.4 An agreement with the Council would include an expectation for the Council to actively promote participation in organised activities centred around the installation and create fitness opportunities for communities, though this is not proposed as a contractual obligation. Any increase in physical activity resulting from use of the installation could contribute to the Council's Local Area Agreement targets.
- 4.5 The sponsors offer will include high profile support and site visits from famous sports stars and musicians as well as adidas athletes in Team GB, the warranty of all equipment during the part of the installed period and additional PR and marketing activities.
- 4.6 The Council will be obliged to maintain the equipment to an extent to be agreed and to licence the Sponsor to hold publicity events to an extent to be agreed for the duration of the agreement. No agreement has yet been reached on the extent of the Council's maintenance obligations and the Council is seeking to ensure that such obligations are not onerous or unreasonable.
- 4.7 The sponsors preferences include a site that is 'neutral territory' in youth gang terms, that will be reasonably secure from vandalism, and that is located in a cluster of sports and recreation facilities. A suitable adjacent venue for high-profile launch and publicity events that may include iconic 'media backdrops' has also been considered by the sponsor.

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- 4.8 The installation would also help meet the Council's objectives in increasing access to sport and fitness, and improving sports skills for young people. Programmed activities, such as street dance workshops, basketball skill sessions and workout sessions with partner organisations and local sports clubs will enable the Council to secure a lasting legacy of activity.
- 4.9 Responsibility for maintenance of the equipment will be subject to negotiation, but it is likely that the Council will be expected to undertake routine maintenance following an initial period. In the absence of a commuted maintenance payment from the sponsors, which is being negotiated, the cost of such maintenance will devolve on the Parks and Open space revenue budgets. It is anticipated that these costs can be contained within existing budget provision.
- 4.10 The Council will also ensure that its exposure to risk for damage caused by vandalism to the installation is strictly limited, by seeking both the right to terminate the ten year maintenance agreement and move the equipment elsewhere in the event of excessive cost and a shared liability by the sponsors for the repair of excessive damage. The threshold and triggers for such action is subject to negotiation with the sponsors but it is believed that any vandalism risk greater than 10% of the value of the installation in any year would be unacceptable to the Council and negotiated triggers will be within this figure.
- 4.11 The Council will wish to ensure that the company complies in all respects with any planning or consent requirements, and in particular that any prominent branding on the installation that is classed as advertising is subject to appropriate development control procedures.
- 4.12 In addition, the Council will wish to secure appropriate guarantees and conclude a formal agreement with the sponsors and their partners that ensures that the Council's interests are adequately protected.
5. Sponsorship and value issues
- 5.1 In terms of the value to adidas of the branding, if it is accepted that the branding exposure is approximately equivalent to that of a commercial billboard in Woolwich, a notional value of approximately £10,000 a year to the sponsor can be assumed. Over the 10 year expected life of the installation this represents a significant commercial opportunity for the sponsors.

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- 5.2 The quality of equipment on offer has been evaluated by officers as excellent and amongst the best available and existing installations elsewhere have proven to be both robust and reliable. Although the sponsors place a value of £150,000 on the installation, the Council would find difficulty in procuring and installing anything with the same attraction and impact for this sum. Additional value lies in the intellectual property of the '2012 zone' concept and the strong brand affinity the sponsor has built.
- 5.3 The Council is not being asked to offer any exclusivity of opportunity across the borough, and further sponsorship opportunities with the sponsor's commercial competitors and others is therefore possible in other locations. However, TGOGC retain intellectual property in the unique design concept of the '2012 zone' and alternative or additional sponsorship deals must be sufficiently distinctive from this one to avoid potential design and copyright infringement.
- 5.4 A part of the sponsorship offer involves the sponsors arranging launch and publicity events. Adidas have secured the athlete Mo Farrah as ambassador to assist in the launch and publicity for the '2012 zones'. Further sporting and athletic personalities will be engaged to promote the usage of the zone over its life.

6. Consultation

- 6.1 The Council will consult locally and with interested groups and organisations before concluding any agreement with the sponsors, and any part of the proposals that requires development control consent will follow normal consultative procedures.

7. Financial Implications and Comments of the Director of Finance

- 7.1 The report seeks approval to accept an offer from Adidas UK Ltd to supply and install a '2012 Zone' of outdoor gym and associated equipment. The estimated value of the final installation will be £150,000.
- 7.2 Adidas will provide a 5 year warranty for the equipment from the time of installation dependent on the equipment being properly maintained to an agreed standard by the Council. It is understood that the cost of that annual maintenance will be in the region of £7,000 per annum.

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In addition, the Council will be responsible for the replacement cost any items of equipment damaged by vandalism and other misuse. It is understood that it is intended that the Council intends to negotiate a capped limit of 10% of the replacement cost of the equipment in any one year. This will limit the Council's liability for repair and replacement costs.

7.3 The cost of the annual maintenance and other repair costs would be unbudgeted and will need to be contained within the Parks and Open Spaces revenue budgets by identifying offsetting savings. These will be in addition to the existing planned budgets savings required for Parks and Open Spaces as part of the medium term financial strategy.

7.4 **Value for Money Issues**

The Council will receive an asset with an estimated value of £150,000 through developing a partnership with a private sector partner Adidas. The partnership will deliver increased outdoor fitness and sporting facilities which will be of benefit to the residents and the community at no capital cost to the Council. The facility will also increase usage of the site which will improve community safety.

7.5 **Risk Management Issues**

Improved and expanded sporting and fitness facilities such as the outdoor gym and equipment will assist the Council to ensure that it achieves its business objectives in terms of the Health and Well-being priorities in the Greenwich Strategy.

8. Legal Implications and Comments of the Head of Law and Governance

8.1 This report seeks approval to accept an offer from Adidas UK Ltd to supply and install a '2012 Zone' of outdoor gym and associated equipment to a site in the borough.

8.2 The Council's powers to enter into the contract are contained in section 139 Local Government Act 1972. This allows the Council to accept, hold and administer gifts of property for the purpose of carrying out any of its functions, or for the benefit of the inhabitants of the area or part of it. The section allows the Council to carry out any incidental or consequential work, including works of maintenance and improvement. The cost will count against section 137 expenditure.

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- 8.3 The proposed contract is not a contract for the purchase or hire of goods by the Council or the provision of services or a consideration, and accordingly the Public Contracts Regulations 2006 and the Council's contract standing orders do not apply. Members will nevertheless consider whether the proposal will result in an economic, efficient and effective use of the Council's resources, and will obtain best value for Council taxpayers.
- 8.4 This report seeks approval to delegate the negotiation of the terms of the proposed contract to the Director of Culture and Community Services, in consultation with the Leader of the Council and the Cabinet Members for Neighbourhood Services and Culture and Olympics.
- 8.5 Section 15 Local Government Act 2000 allows for the discharge of the Council's functions to be allocated to officers. In reaching a decision to delegate such authority members should have regard to the matters set out in the report and to their general fiduciary duty to ensure that the Council's interests are adequately protected.
9. Options and Recommendations
- 9.1 This is a non-statutory matter and members have the option to (a) accept the adidas offer in principle and to delegate to officers the detail of an agreement (b) not to accept the offer from adidas (c) to accept the offer from adidas in principle but to require officers to bring a further report to committee to allow members to agree or otherwise the details of an agreement.
- 9.2 Unless members wish to decline the offer made to the Leader of the Council, it is recommended that option (a) is agreed, to allow the offer to be taken up within a time frame consistent with the Olympic hand-over to London at the close of the Beijing games. It is recommended that the Director of Culture and Community Services is delegated to negotiate the terms of acceptance of the sponsor's offer

Background Papers:

None

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