

Birmingham City Council

Report to Cabinet

11 October 2022



Subject: FULL BUSINESS CASE FOR THE LEGACY DEVELOPMENTS FOLLOWING THE COMMONWEALTH GAMES AT ALEXANDER STADIUM, PERRY BARR

Report of: Rob James - Strategic Director of City Operations

Relevant Cabinet Member: Councillor Ian Ward, Leader
Councillor Mariam Khan – Cabinet Member for Health & Social Care
Councillor Yvonne Mosquito, Cabinet Member for Finance and Resources

Relevant O&S Chair(s): Councillor Jack Deakin - Commonwealth Games, Culture and Physical Activity
Councillor Saima Suleman – Economy and Skills
Councillor Akhlaq Ahmed, – Resources

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Perry Barr		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 010468/2022		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 The Perry Barr 2040 regeneration seeks to meet both need and aspiration. It is a long-term programme with the hosting of the Birmingham 2022 Commonwealth Games (the Games) acting as a catalyst for accelerated growth and a moment of significance in its journey. Alexander Stadium and Perry Park are at the heart of the regeneration and played a key role in the successful delivery of the Games.
- 1.2 An FBC for the redevelopment of the Stadium was approved in 2020; this report addresses the post-Games legacy and the opportunities to maximise it along with the surrounding parkland as part of Perry Barr regeneration.
- 1.3 Post-Games, the continued success of the Stadium and its parkland setting, require further capital investment to ensure this asset has a lasting, positive legacy for the local community, the city, partners and visitors.
- 1.4 Access to high-quality facilities for sport and recreation is an important facet of the future vision for the area of Perry Barr and neighbouring wards and the local needs and aspirations are central to this project.
- 1.5 This report presents the Full Business Case for the legacy developments at the Alexander Stadium and Perry Park following the Games. These proposals will contribute to the Council's most recent strategic outcomes, specifically 'A Prosperous Birmingham' by maximising the benefits of the Commonwealth Games, 'A Healthy Birmingham' by providing improved leisure facilities to encourage physical activity and healthy living and 'A Green Birmingham' by contributing to the aim of becoming a city of nature.
- 1.6 Some elements of the proposals will be subject to further consultation, including via the planning process, but have been created following significant engagement with key stakeholders to appraise how to enhance the site and its potential future uses to ensure a sustainable legacy beyond the Games. They include:
 - A new dry leisure facility within the Stadium complex;
 - A new visitor centre and café located in Perry Park;
 - New physical activity installations / external play facilities for all ages in the Park; and
 - Delivery of new pathways and cycle routes around the Park.
- 1.7 The Council is working with Birmingham City University and other future tenants on the offering for elite and community sports provision in the Stadium Complex.
- 1.8 The Walsall Road Allotments are safeguarded as a part of these proposals and remain an important community asset to the residents of Perry Barr.
- 1.9 This report seeks approval of the Full Business Case for the legacy development of the Stadium and Perry Park, to develop and submit the planning applications necessary to support the delivery of the proposals and to commence the procurement process for the contracts required to support the legacy aspirations.

2 Recommendations

That Cabinet:

- 2.1 Approves the Full Business Case included at Appendix 1 to this report, containing the following.
 - 2.1.1 Notes the results of the formal bids for funding contributions to the overall costs of the works.
 - 2.1.2 Approves the submission of an application to Sport England for a grant of up to £2 million for provision of improved community sports leisure facilities.
 - 2.1.3 Confirms the funding of £5 million of Council resources to support the development of the investment and £0.5 million of Community Infrastructure Levy (CIL), subject to such funding becoming available, approved in the outline business case.
- 2.2 Delegates to the Strategic Director of City Operations, in conjunction with the Strategic Director of Council Management, authority to make bids for and accept subsequent offers of funding from any other organisations or funders that may be identified as appropriate contributors to the costs of the proposed works, subject to any funding conditions attached to the funding offers being acceptable.
- 2.3 Approves the submission of any planning applications necessary to facilitate the delivery of the proposals set out in this FBC.
- 2.4 Delegates to the Strategic Director of City Operations and the City Solicitor & Monitoring Officer (or their delegates) authority to negotiate and agree the terms of lease agreements for the occupation of commercial space in and around the Stadium and Perry Park to help secure the post-Games legacy.
- 2.5 Delegates authority to the Strategic Director of City Operations in conjunction with the Assistant Director, Procurement, the Strategic Director of Council Management and the City Solicitor & Monitoring Officer (or their delegates) to develop a procurement strategy including the procurement route in consultation with the Cabinet Member for Finance and Resources and then to award contracts for the following as detailed in paragraph 7.5.1:
 - Legacy Works
 - Facilities Management
 - Catering Services
- 2.6 Authorises the City Solicitor & Monitoring Officer (or delegate) to execute and complete all legal documentation necessary to implement the above recommendations.

3 Background

- 3.1 In January 2017 the ambition to deliver sustainable growth and regeneration in Perry Barr was set out in the Birmingham Development Plan (BDP). Perry Barr 2040: A Vision for Legacy (adopted in February 2022) builds on the BDP to guide regeneration in the area over the next two decades.
- 3.2 The hosting of the 2022 Commonwealth Games has provided a worldwide platform for Birmingham to showcase the area and has provided a catalyst for the regeneration of Perry Barr.
- 3.3 The Alexander Stadium in particular was a key venue for the Games, not only hosting athletics events, but also as the home for the Opening and Closing Ceremonies. To ensure a sustainable future for the stadium and its wider parkland setting beyond the Games, a legacy package of investment is required to secure additional uses on site and improve access and connectivity, whilst maintaining its position as the UK's premier elite athletics stadium.
- 3.4 The stadium complex has been planned to provide a varied facility mix that provides a financially sustainable legacy with modern, attractive and fit-for-purpose venues. This includes the adjoining park and integration of the site with the canal, cycle routes and footpaths to other sporting facilities in the area.
- 3.5 The project will provide measurable, socio-economic impact to the local community, while attracting new users to the site following the investment that will generate greater footfall, improve safety of visitors, encourage physical activity for all ages and provide a focal point for the local community.
- 3.6 The proposals draw on the results of consultations with key stakeholders and wider public consultation will continue through the planning process.

Project Objectives

- 3.7 The key objectives for the project include:
- An increase in physical activity participation;
 - Improved community engagement with the facilities and the Park;
 - Widening the use of the site by residents and visitors;
 - Provision of an increased sports offer for the community;
 - Ensuring the Stadium continues to operate within its pre-redevelopment revenue budget.

Delivery Options

- 3.8 The Outline Business Case (OBC) outlined the potential delivery options for the post-Games legacy and provided a justification for the preferred option. This consisted of operating the Stadium with Birmingham City University (BCU) as a tenant, along with the provision of new leisure facilities in Perry Park (visitor centre, café, external play facilities, new pathways, investment in cycling routes).

3.9 The Outline Business Case considered replacing the Beeches Pool and Fitness Centre with a new wet and dry leisure facility at the Stadium, closing Beeches and selling the site. The decision has now been taken to retain Beeches. It will continue to provide swimming facilities under the 15-year contract agreed in 2016 with Birmingham Community Leisure Trust, which has refurbished the pool in the last 5 years.

3.10 The project will drive a number of positive outcomes for the Perry Barr area and Birmingham as a whole:

- The substantial infrastructure on the site will provide a minimum 20-year built legacy for Birmingham’s residents and visitors;
- The substantial investment into the community will generate direct and indirect social and economic impact;
- Making Perry Park and Alexander Stadium a shared community facility will create an enhanced destination and combine with other leisure facilities in Perry Barr and the surrounding area to offer complementary programming;
- The creation of high-quality mixed sport facilities will encourage the community to engage and participate;
- The upgrading of the stadium complex and its facilities (including the High Performance Centre) will attract elite athletes to base themselves there for training etc. It will also retain its core purpose of being the UK’s premier elite athletics stadium;
- Additional activity will be brought into the park with new uses, interactive pathways and improved connectivity to key walking and cycling routes;
- Provision of facilities that meet local community need and aspiration alongside that of elite sport;
- The partnership with Birmingham City University providing a new educational offering;
- An improved offering of a range of free-to-use facilities alongside commercial facilities to increase visits and dwell time and encourage repeat attendance that supports a sustainable business plan;
- Addressing the spending objectives set by the Council.

3.11 The capital works to deliver the preferred option has been broken down into a series of workstreams, each with a defined scope for delivery:

Workstream 1	Planned Reinstatement works Works deferred from pre-Games Programme
Workstream 2	Internal Spaces
Workstream 3	GMAC & HPC
Workstream 4	Enhancement of Stadium Complex
Workstream 5	Perry Park Legacy

An additional parallel workstream will be delivered by BCC for a potential tenant, which is unable to commission the fit-out works for its tenancy. The tenant will fund and bear the risk of the works, under a funding agreement with BCC.

4 Options Considered and Recommended Proposal

4.1 The options considered in the Options Appraisal of the approved outline business case were:

Option 1 – Do Minimum – Operation of the Stadium to include Birmingham City University as a tenant and transfer use of the High-Performance Centre (HPAC) to the University, in line with the approved Stadium FBC.

Option 2 – Improved offering for Perry Park – Lower Cost – As Option 1, plus the provision of new leisure facilities in Perry Park, inclusive of a visitor centre, café, external play facilities, new pathways and investment in cycling routes.

Option 3 – Improved offering for Perry Park and a new leisure centre - As Option 2, plus the provision of a new dry leisure facility.

4.2 Option 3 provides the optimum balance between the capital costs, net operating costs and against the social and economic value impact.

5 Consultation

The proposals being taken forward via this FBC have been designed to reflect the outcomes of extensive consultation with partner organisations and key stakeholders, who are supportive of the proposals:

6 Risk Management

6.1 The project has a risk register for the development and delivery of the project and its workstreams to deliver in the stadium and park.

6.2 These have been considered and risk mitigation plans put in place to reduce the likelihood or impact of these occurring. Project risks and their mitigations are presented to, evaluated and monitored by the Project Board.

6.3 Risks associated with the implementation of the decisions are managed within the BCC Project Risks, Issues and Dependencies (RID) Management Protocol. This dynamic approach to RID management is embedded within project delivery and includes clear lines of escalation.

6.4 Key risks at this stage of the project include:

- The Stadium condition upon handback from the Organising Committee
- Pre-Games scope issues (e.g. snagging, deferred works) are not resolved, causing scope, programme and budget issues
- The procurement of key pieces of work, including the advisory team and the contractor(s), cause delay to the programme
- Perry Park Masterplan and design development is delayed
- Key roles in the project team are not filled in a timely manner

- Inflation

7 Compliance Issues

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.1.1 The legacy from the Games will seek to contribute to tackling health inequalities across the City, by inspiring more people to become active either through taking part in physical activity or being a volunteer for the Games, improving both their physical, mental health and general wellbeing.
- 7.1.2 The project has been developed to ensure the outcomes align to National, Regional and Council Strategies and Policies (e.g. DCMS, Sport England, Council Corporate Plan, Council budgets, LEP plans and strategies etc.).
- 7.1.3 The proposed expansion of the site is an indication of Birmingham's ambitions to increase the relative scale and magnitude of the existing infrastructure at the Stadium ensuring a sustainable legacy for the site post-Games. The essential requirements are not limited to increasing capacity, but also include other sporting facilities and aesthetics that should conform to contemporary athletic infrastructure in order to present a competitive and attractive sporting facility that will leverage events and returns on capital employed.
- 7.1.4 Increasing local community use of the site is paramount to project outcomes, as the Games legacy cannot be achieved without a direct increase in local activity levels coming from an improved facility provision and service offering.
- 7.1.5 The relocation of the BCU sports science faculty to the Stadium will increase footfall, academic learning and additional complementary sports-related outputs and activities. Integrating BCU into the Stadium site for the benefit of the wider community is a key element to delivering successful project outcomes.
- 7.1.6 The Council has worked with its partners to develop a vision for the Games and legacy which supports the development of the scheme to impact positively on local communities, including:
- harder to reach groups;
 - delivering opportunities to collaborate with partners and other local organisations;
 - providing social and economic benefits arising from the delivery of the construction project;
 - visitor spend and private investment; and
 - the provision of high-quality education through the partnership with the BCU and the provision of facilities for elite sport.
- 7.1.7 Uniquely the Legacy project is well placed to deliver solutions that will address the issues affecting the local communities, including encouraging people to move more, increasing their physical activity, improving nutrition, reducing obesity,

reducing social isolation, and reducing the financial impact on NHS through providing preventative health education and classes.

7.1.8 In summary the decisions within this report will help contribute to tackling health inequalities across the city, especially the local community, by inspiring more people to be active by engaging with the stadium and park, improving both their physical and mental health and general wellbeing.

7.2 **Birmingham Business Charter for Social Responsibility (BBC4SR)**

7.2.1 The requirements of the Birmingham Business Charter for Social Responsibility are mandatory and form part of the terms and conditions for any contract awarded in accordance with the Council's policy and will include the payment of the Real Living Wage. This will provide opportunities to support the Perry Barr ward and surrounding areas through:

- The creation of jobs, apprenticeships, work experience graduate placements;
- Training opportunities;
- Supply chain opportunities for local businesses, small and medium enterprises and social enterprises;
- Support for local community projects advertised on matchmyproject.org.

7.2.2 This has been demonstrated successfully in the project to develop the Stadium for Games-time use and will be maintained for the legacy development.

7.3 **Legal Implications**

7.3.1 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence in Sections 2 and 4 of the Localism Act 2011 and S111 of the Local Government Act 1972, which contains the Council's subsidiary financial powers to spend borrow or lend money which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

7.3.2 Sections 120-123 of the Local Government Act 1972 contains the Council's land acquisition and disposal powers. S123 of the Local Government Act 1972 prohibits the disposal of property for a consideration less than the best that can be reasonably obtained. The S123 best consideration duty applicable to this report will be discharged by an independent expert valuation report.

7.3.3 All constituent transactions forming part of this business case will be negotiated on commercial terms, such terms being consistent with the conditions and requirements for receipt of the grant funding necessary to implement the proposals, including the requirement that the constituent transactions do not breach competition law.

7.4 **Financial Implications**

7.4.1 Comparative Net Costs have been modelled for the re-developed Stadium and Park, using base case and best case assumptions, including associated financing

costs. These show a small anticipated ongoing revenue saving of between £0.1m and £0.3m per annum compared with the current annual direct net operating cost of the Stadium (£2.153m). Crucially, both base- and best-case scenarios are still within the current net budget for the Stadium, whilst providing BCC with a new sustainable leisure offer for the area for the next 25 – 30 years, based on additional and improved facilities and services.

	Current Budget £'000	Base Case £'000	Best Case £'000
External Income	(923)	(2,133)	(2,352)
Staffing Costs	1,018	1,524	1,524
Other Operating Costs	1,407	1,696	1,696
Financing Costs	651	988	988
Net Operating Cost	2,153	2,075	1,856

7.4.2 A detailed Target Operating Model has been developed which underpins the net costs and allows for opportunities to grow additional income streams which will help to minimise the net cost and provide additional offers. These include:

- Additional tenants and users of the site;
- Hosting additional legacy events; and
- Wider Perry Barr regeneration scheme and synergies.

7.4.3 As part of the development of the Full Business Case for the Legacy phase of the project, capital costs, funding and net operating budgets have been established for the scope of works. The identified capital investment identified to deliver this project amounts to £21.432m, including those elements included within the Stadium Redevelopment FBC, but planned to be delivered post-Games. The following table sets out total anticipated costs and funding sources for the works.

		2022/23 £'000	2023/24 £'000	Total £'000
Capital Investment				
Workstream 1	Planned Reinstatement works	4,075		4,075
	Works deferred from pre-Games Programme	1,185		1,185
Workstream 2	Internal Spaces	3,574		3,574
Workstream 3	GMAC & HPC	2,000	2,060	4,060
Workstream 4	Enhancement of Stadium Complex	4,546		4,546
Workstream 5	Perry Park Legacy		2,492	2,492
Tenant-Funded Works	HPC Tenant Fit-Out	1,500		1,500

		2022/23 £'000	2023/24 £'000	Total £'000
Total Capital Investment		16,881	4,552	21,432
Capital Financing				
Stadium Redevelopment	Previously approved as part of CWG	(4,629)		(4,629)
CWG	Residual Capital Contingency / Underspends	(6,607)		(6,607)
Corporate Capital Resources	Identified in outline business case – Approved Feb 2020	(2,145)	(2,855)	(5,000)
CIL	Identified in outline business case – Approved Feb 2020		(500)	(500)
External Grants & Contributions	f	(2,000)	(1,197)	(3,197)
Tenant Works Contribution		1,500		
Total Capital Financing		(16,881)	(4,552)	(21,432)

7.5 Procurement Implications (if required)

7.5.1 The following works and services are required to be undertaken and the procurement implications are detailed below:

- Reinstatement Works

This requirement is for the works to reinstate from games mode to an operational site. Cabinet was advised of the procurement strategy for the reinstatement works in the Planned Procurement Activity report dated 11th May 2021 to enter into single contractor negotiations with McLaughlin & Harvey Construction Ltd with delegated authority to award the contract. Therefore, in order to achieve a contract award in October 2022, it is proposed to conclude the award of contract under the previously approved governance process.

- Technical Professional Services for the reinstatement and legacy works

Cabinet was advised of the procurement strategy for professional services to support the reinstatement works in the Planned Procurement Activity report dated 22nd July 2022.

- Legacy Works

This is for the works to the site to meet the legacy requirements as detailed in the FBC. The procurement route will use a compliant framework agreement in the first instance and to undertake either a further

competition exercise or a direct award, in accordance with its protocol. In the event that the framework route is not the most suitable option, a procurement exercise will be undertaken advertised on Find a Tender, Contracts Finder and www.finditinbirmingham.com.

- Operational Services

- Facilities Management

Following the capital investment, the Stadium Complex requires a facilities management (FM) service to maintain the site throughout the life of the asset to the level consistent with standards for a major stadium. Historically, a statutory-only FM service has been undertaken by Acivico. However, with the increased level of tenants and users with the potential for additional events, there is an opportunity to specify and deliver an enhanced level of service, in line with the SFG20 standard delivered temporarily during the Commonwealth Games.

The procurement route will be to use a compliant framework agreement in the first instance undertaking either a further competition exercise or a direct award in accordance with its protocol. In the event of the framework route not being the most suitable option and not demonstrating best value, a procurement exercise will be undertaken advertised on Find a Tender, Contracts Finder and www.finditinbirmingham.com.

- Catering

A range of catering services within the Stadium Complex is required to be provided which will be in line with a world-class venue. The service will provide a daytime catering offer for the multiple conference, meeting and event spaces, as well as an evening offer for functions such as dinners, award ceremonies, parties and themed functions. There will also be provision of access to the built-in concession units to sell food and drink during spectator-led events.

The contract will be a for a concession awarded in accordance with the Concession Regulations 2016 and a procurement exercise will be undertaken advertised on Find a Tender, Contracts Finder and www.finditinbirmingham.com.

7.6 Human Resources Implications (if required)

7.6.1 There are no Human Resources implications arising from this FBC.

7.6.2 Project delivery, procurement activity and the subsequent contract management of the works will be undertaken by Council staff and external support.

7.7 Public Sector Equality Duty

7.7.1 An Equality Act 2010 screening reference was undertaken on 3rd May 2019 and identified that there was no requirement to assess this further. A further exercise was carried out in August 2022 (ref. EQUA965), which reconfirmed that completion of an Equality Assessment form is not required for the recommendations in this report.

8 Background Documents

- Perry Barr 2040: A Vision For Legacy
- Commonwealth Games 2022 Legacy Plan
- Stadium Development FBC
- Stadium Legacy OBC (outline business case)

9 Appendices

Appendix 1- Full Business Case

Appendix 2 -Environment and Sustainability Assessments

Appendix 3 -Risk Assessment

Appendix 4 - Equality Impact Assessment