

Birmingham City Council

Report to Cabinet

25th June 2019



Subject: FULL BUSINESS CASE FOR THE DEVELOPMENT OF ALEXANDER STADIUM

Report of: CORPORATE DIRECTOR, NEIGHBOURHOODS

Relevant Cabinet Member: Councillor Ian Ward , The Leader of the Council
Councillor Tristan Chatfield, Cabinet Member for Finance and Resources

Relevant O &S Chair(s): Councillor Mariam Khan – CWG, Culture and Physical Activity
Councillor Tahir Ali – Economy and Skills
Councillor Sir Albert Bore – Resources

Report author: Dave Wagg,
Project and Client Manager, Strategic Sport
Telephone No: 0121 464 0939
Email Address: dave.wagg@birmingham.gov.uk

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: 006004/2019		
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 This public report provides details of the Full Business Case for the development of the Alexander Stadium site to deliver the requirements set out in the Host City Contract in preparation for the Commonwealth Games 2022. The development proposals set out in this report act as a catalyst for the

delivery of a sustainable positive legacy for the stadium, but the wider legacy plans will form part of a separate report.

- 1.2 The purpose of the report is to provide information to Members to allow a decision to be made to commence the development of the works, to secure Partner Contributions described in [2.2 of this report] to the cost of the works and to release capital funding.

2 Recommendations

- 2.1 To approve the Full Business Case included at Appendix 1 to this report.
- 2.2 To approve the submission of formal bids for funding to contributions to the overall costs of the works from the West Midlands Combined Authority (WMCA) and Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP), in line with commitments made in advance of the Council's bid for the 2022 Commonwealth Games in Autumn 2017.
- 2.3 To delegate authority to accept offers of funding in response to the bids referred to in recommendation 2.2 to the Director, Neighbourhoods in conjunction with the Chief Finance Officer, and in consultation with the relevant Cabinet Member, subject to any funding conditions attached to the funding offers being acceptable.
- 2.4 To delegate authority to the Director, Neighbourhoods in conjunction with the Chief Finance Officer and in consultation with the relevant Cabinet Member, 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.
- 2.5 To note the submission of the planning application necessary for the delivery of the proposed works in September 2019.
- 2.6 To delegate approval to negotiate and agree the terms of lease agreements for the occupation of commercial space in and around the stadium to help secure the future of the stadium post-Games to the Director, Inclusive Growth, in consultation with the relevant Cabinet Member.
- 2.7 To delegate approval to the Director, Inclusive Growth in consultation with the relevant Cabinet Member, to negotiate and agree the terms of a conditional call option with Birmingham City University (BCU) for the transfer [of a serviced plot] within the Alexander Stadium masterplan for BCU's development of new student accommodation
- 2.8 To delegate approval to the Director, Neighbourhoods, to negotiate and agree the terms of access agreements with BCU to use the sporting facilities as described in the Full Business Case.

- 2.9 To authorise the City Solicitor (or delegate) to execute and complete all legal documentation necessary to implement the above recommendations.

3 Background

- 3.1 In December 2017 the Commonwealth Games Federation announced Birmingham as the host city for the Commonwealth Games 2022.
- 3.2 A key component of the successful bid and therefore the games programme is the development of the Alexander Stadium which will host the opening and closing ceremonies along with the athletics competition.
- 3.3 An Outline Business Case was approved at Cabinet on 26th June 2018 detailing the process and expenditure required to proceed to a Full Business Case in May 2019.
- 3.4 In summary the works that are the subject of this report will deliver a new covered West Stand replacing the existing Knowles, Nelson and Main Stands, uncovered stands to the north and south with concourse, creating a bowl stadium in legacy. The existing East (Back Straight Stand) will remain intact. The West stand will accommodate all the sporting infrastructure required to host international sporting events as well as accommodating Birchfield Harriers. As part of the redevelopment a new track will also be laid.
- 3.5 The new stadium will increase the permanent capacity post games to approximately 17,000 from 12,700. During the Games period temporary structures will be put in to create up to a 40,000 seat stadium for the opening, closing ceremonies and athletics competition.
- 3.6 In addition to the construction of a new stand, a 400m, 6 lane outdoor practice running track will be permanently housed at the High-Performance Centre on site and will form part of the legacy of the games. This outdoor practice track will have an artificial turf infield available for community multi sport use.
- 3.7 BCU is a potential anchor tenant bringing increased revenue and investment in terms of fit out of facilities post games. This addition to the stadium site will provide accommodation within the new stand and learning facilities for an expanded Sports and Exercise Science Faculty that will be based from the stadium following the Games. This move will contribute to providing direct legacy benefits which include education, increased visitor numbers to the site from students and faculty and increased activity taking place at the Stadium, which would not be realised without this development. . It is a condition of the sale of the BCU remaining land at Perry Barr to BCC (required for the CWG Athletes Village) that BCC enters into with BCU: (i) a simultaneous conditional Agreement for New Lease for the new BCU accommodation at Alexander Stadium as described in this 3.7; and (ii) a call option agreement to BCU to call for the transfer from the Council of a [serviced plot of land], within the Alexander Stadium masterplan area at a location and purchase price to be agreed, the purchase price to be agreed in accordance with section 6.2.2 of this

report. Once the location of the new accommodation has been agreed BCU's exercise of the call option is conditional upon BCU obtaining planning permission for the new student accommodation development.

- 3.8 Council officers and the professional advisors have been developing the Games mode overlay scheme to ensure that it meets the requirements of the Organising Committee and International Federation whilst ensuring that the cost of the design and works are contained within the agreed £72.4 million budget included within the Host City Contract.
- 3.9 The Full Business Case (FBC) is based on HM Treasury's Green Book's five case appraisal model which includes the following outputs:

Case	Description
Strategic Case	The strategic case sets out the case for change and intends to demonstrate that the project provides the synergy and holistic fit with the Council's strategic plans and outcomes, which in turn link to local, regional and national policies and targets.
Economic Case	The economic case identifies the most suitable option that deliver best value, including financial, wider social and environmental effects that will establish the Critical Success Factors for the project.
Commercial Case	The purpose of the commercial case is to describe how the project will be controlled, managed and delivered
Financial Case	The financial case sets out to demonstrate the affordability and funding of the preferred option, including the support of funders and stakeholders, as required.
Management Case	The management case details the arrangements in place for the delivery, monitoring and evaluation of the project.

- 3.10 Further details of the responses to these areas are set out in Appendix 1 to this report. The FBC sets out a solid case for investment which will deliver a number of positive outcomes for the City including:

Sport, Health & Wellbeing

- Deliver a stadium and infrastructure that is compliant with the requirements of the Commonwealth Games Federation venue brief, and therefore meets the needs of the Birmingham 2022 Organising Committee.

- The design of the Stadium is following Sport England and Public Health England's guidelines on Active Design.
- Provision of new sports facilities including 3G pitch and athletics track
- Address health inequalities
- Improve demographic data including death rates, obesity and deprivation
- Contribute towards the Council's strategic outcomes through sport and physical activity
- Improve the environment through park-scape and biodiversity

Investment & Growth

- Create inward investment into the City
- Generate circa £390m GVA in the region
- Improve the sustainability of the facilities on site
- Create employment opportunities
- Increase economic outputs in the region
- Invest in strategically important assets

Regeneration

- Deliver regeneration benefits to the area
- Contribute towards housing targets

4 Consultation

- 4.1 Relevant Ward Members will be consulted as part of the planning process. Perry Barr Councillors will also be consulted on an on-going basis as the proposals evolve.
- 4.2 The Corporate Director, Neighbourhoods has been consulted and is agreement with the contents of the report. City Finance, Legal and Governance and Corporate Procurement Services officers have been involved in the preparation of this report.
- 4.3 Local residents and schools were surveyed as part of a stakeholder engagement exercise undertaken in 2018 along with National Governing Bodies of Sport, tenants of the Stadium and other key stakeholders. This feedback has been included in Appendix G4 – Stakeholder Analysis.

- 4.4 Feedback included additional facilities residents, schools and stakeholders would like to see at the stadium and Perry Park, which included improved athletics facilities and changing rooms in the stadium and improved lighting on pathways in the park as well as outdoor fitness provision.
- 4.5 Sport England, UK Athletics and the Department of Digital, Media, Culture and Sport are represented on the Project Board.

5 Risk Management

- 5.1 A full risk register has been developed and costed on all aspects of the Commonwealth Games including those specific to the development of the Alexander Stadium and associated infrastructure works. The Alexander Stadium Risk Register is appended to this report (Appendix 2).
- 5.2 Project risks are presented and monitored through the CWG Stadium Project Board and the CWG Capital Programme Board who continually evaluate and take active steps to mitigate against any identified risks.
- 5.3 A rigorous change control process is in place for this project (as for all Commonwealth Games related capital projects), that requires formal approval of any change requests in advance of implementation, with any change requests being explicitly reported through the Commonwealth Games governance structure (which includes representation from DCMS as well as the Council). This process covers changes relating to timescales and quality as well as cost, and also requires “early warning” of any emerging issues as soon as they are identified.

6 Compliance Issues:

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

- 6.1.1 The decision within this report will contribute greatly to Birmingham’s reputation as a city capable of hosting major international events, help the city make its permanent mark on the global stage and showcase the city’s assets, and enhance the city’s international reputation.
- 6.1.2 The decisions within this report will help 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 and mental health and general wellbeing.
- 6.1.3 Birmingham Business Charter for Social Responsibility (BBC4SR)
- 6.1.4 The requirements of the BBC4SR were included in the procurement activities as detailed in the Procurement Implications of the FBC.

6.2 Legal Implications

- 6.2.1 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 1972 contains the Council's subsidiary financial powers to spend borrow or the lending of money which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions
- 6.2.2 Sections 120-123 of the Local Government 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.
- 6.2.3 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 and stage the CW Games, including the requirement that the constituent transactions do not breach competition law.

6.3 Financial Implications

- 6.3.1 As part of the Full Business Case, we have established the capital costs, funding and net operating budget for this scope of works. A 25-year financial model has been prepared setting out the capital and revenue cashflows, optimism bias (as required by HM Treasury) and the project has a Net Present Value of £48.93 million. This compares to the Do Nothing option which has a lower NPV of £24.1 million but does not deliver the project outcomes. The full financial model is summarised in Appendix 1.
- 6.3.2 The budgeted net revenue cost of the Alexander Stadium for 2019/20 is £1.696million, but it should be noted that the actual outturn for 2018/19 was a cost of £2.125 million (an overspend of £0.318million). These net costs however exclude a number of elements included within the financial modelling for this FBC costs associated with equipment replacement, operating contingency, equipment leasing and building condition survey works. Excluding these costs from the FBC model produces an estimated net budget for the Alexander Stadium in legacy mode of £1.690million per annum representing a significant reduction in the ongoing revenue costs of the Stadium compared to the actual costs incurred in 2018/19.
- 6.3.3 The full estimated net costs of the Stadium are however estimated to amount to £2.130million per annum, in line with the actual outturn for 2018/19, but exceeding the approved budget for 2019/20 and future years. It is however anticipated that following the Games there will be further opportunities for income generation that will substantially offset these increased costs and further increase the financial viability of the Stadium.

6.4 Procurement Implications (if required)

- 6.4.1 The FBC sets out the process for procurement that has been agreed for the works programme.

6.4.2 Human Resources Implications (if required)

- 6.4.3 The FBC has considered the TUPE requirements for the project and has concluded that this will not be relevant to the transaction as it stands. The project delivery, procurement activity and the subsequent contract management of the works will be undertaken by Council staff and external support.

6.5 Public Sector Equality Duty

- 6.5.1 The Equality Act 2010 screening reference was undertaken on 3rd May 2019 and identified that there was no requirement to assess this further and completion of an Equality Assessment form was not required for the recommendations in this report.

7 Background Documents

Commonwealth Games – Alexander Stadium Outline Business Case to Cabinet dated 26th June 2018.

Report Version 1

Dated 29th May 2019