

To	Resources O&S Committee
Date	10 September 2020
Report from	Guy Olivant – Major Developments Lead, Finance & Governance Directorate
Subject	Perry Barr Regeneration Scheme – Next Steps

Purpose of Report

- 1.1 This report sets out a summary of the work required to refocus the Perry Barr Regeneration Scheme (PBRs) following the decision announced on 11 August 2020 not to use the PBRs to accommodate athletes and officials for the Commonwealth Games being held in July / August 2022.
- 1.2 The Scheme is a complex regeneration project and it is likely that there will be a requirement for one or more reports to Cabinet seeking approval for revised or additional aspects of the scheme in the coming months to ensure the best possible outcome for the City and its residents.

2 Background

- 2.1 Cabinet approved a Revised Full Business Case (RFBC) for the PBRs on 17 March 2020. This report set out plans for investment totalling £541.5million, which would provide accommodation for approximately 5,900 of the 6,500 athletes and officials required to be accommodated for the Games, to be subsequently repurposed as around 1,414 new homes (including 1,151 by the end of 2022) including an Extra Care Village, apartments for rent and outright sale, and more than 50 large family homes to be transferred into the Housing Revenue Account.
- 2.2 In March 2022, the Birmingham 2022 Organising Committee commissioned an independent review of the PBRs to obtain a view of delivery confidence for Games time. This review was undertaken prior to the disruption caused by the COVID-19 pandemic and subsequent lockdown. This review concluded that there was a P90 confidence (the industry standard measure) that 5,665 bedspaces would be completed for handover to the OC by 31 March 2022.
- 2.3 However, as a result of the COVID-19 pandemic and associated requirement for the introduction of more restrictive working practices, the PBRs site was shut down for a period of three weeks whilst Lendlease undertook a review and implemented the necessary changes to site operations. Following the implementation of these revised operating arrangements, it is important to note that site productivity remains substantially below the levels that were anticipated to be achieved pre-COVID. At this stage it is not known how long current operating arrangements will be required to continue for, but it is

assumed that the earliest there may be any relaxation would be from January 2021.

- 2.4 On 11 August 2020, as a result of the impact of COVID-19 on construction schedules, the Birmingham 2022 Organising Committee announced the decision that they would not utilise the PBRs to accommodate athletes and officials for the Games, and would instead utilise three separate Campus Villages located at the Universities of Birmingham and Warwick and at the NEC complex. This decision was made as a result of the ongoing disruption to the construction programme being caused by COVID-19, resulting in an increased risk that the PBRs would not be completed in time for the Games. It was considered necessary to make the decision some 2 years in advance of the Games in order to ensure that there was time for the Organising Committee to secure suitable alternative accommodation at an appropriate cost, to be met from core OC budgets.
- 2.5 By 31 July 2020 (the financial reporting date closest to the date of the above decision), a total of £157.589million had been spent on the PBRs, excluding A34 highways works. Key elements of this investment include land acquisitions (£60.599million), demolition works (£4.986million) and construction works including site infrastructure (£69.778million). Despite the decision not to utilise the PBRs for Games time accommodation, none of the investment undertaken to date is considered to be abortive as a result of this decision.

3 Implications of not using the PBRs for Games time Accommodation

- 3.1 Whilst the PBRs were always designed with a view of the post-Games legacy purpose of the accommodation, the requirement to accommodate up to 6,500 athletes and officials also influenced design decisions, and the pace of construction was more rapid than would usually be the case for a large residential scheme because of the fixed end date for the construction.
- 3.2 The decision not to use the PBRs for Games time means that any temporary features such as bedroom locks, carpets and dining facilities that would be required solely for Games time can now be omitted, and construction programmes optimised to achieve end-use specifications in the most time and cost-efficient way, which was not previously possible. Instructions have already been issued through Lendlease to the Tier 1 contractors to omit all Games time only elements, to ensure that abortive costs are not incurred through the supply chain.
- 3.3 The financial model underpinning the PBRs is reliant on a combination of grants and receipts from the ultimate disposal of the land and properties assembled as a part of the scheme. Whilst the extent of disposal proceeds that will be generated after 2022 is inevitably uncertain as a result of the coronavirus pandemic, the various bodies providing grant funding (including

MHCLG and the Combined Authority) have confirmed that their funding commitments remain regardless of this change in temporary use of the PBRs.

4 Next Steps

4.1 A detailed review of all aspects of the overall scheme is being undertaken to ensure that the scheme remains affordable and delivers the maximum legacy benefit both the Perry Barr and to the City, in the context of the uncertainties caused by the COVID-19 pandemic.

4.2 Key elements of the review include:

- A review of all existing contractual arrangements to establish any required contract variations
- Assessment of likely housing market conditions when properties are available for disposal
- Review of existing construction programme to take into account optimal disposal strategy to maximise financial returns
- Review of current planned property and tenure mix to ensure that the development meets future demands, including those plots previously put “on hold”
- Review of approach to disposal of incidental land already acquired for Games time use, but not part of current construction programme
- Refresh of project governance given that the previous approach aligned with the Commonwealth Games is no longer appropriate