

Birmingham City Council
Report to Cabinet
11 February 2020



Subject: **Commonwealth Games – Athletes Village Update (Contracting of Plot 7)”**

Report of: Director (Interim) Inclusive Growth

Relevant Cabinet Member: Cllr Ian Ward, Leader; Cllr Tristan Chatfield, Cabinet Member for Finance and Resources.

Relevant O &S Chair(s): Cllr Mariam Khan, Learning, Culture and Physical Activity, Cllr Lou Robson, Economy and Skills; Cllr Penny Holbrook, Housing and Neighbourhoods, Cllr Sir Albert Bore, 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, Aston, Birchfield		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential: Appendix 1		
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)		

1 Executive Summary

- 1.1 This report outlines the position to date in relation to the construction of Plot 7 at the Perry Barr residential development, the delivery of which falls under the Perry Barr Regeneration Scheme (PBRs).
- 1.2 The Delegated Report of 6 June 2019 approved the PBRs Full Business Case (FBC). Decision 2.1 of the June 2019 report approved the development of 1,177 residential units and this report provides an update on the status of the contracts required to deliver the units as well as setting out the key elements of the proposed contract for Plot 7.
- 1.3 Lendlease Construction Limited (LLC) was appointed on 29 June 2019 to manage the delivery of the Perry Barr Residential Scheme, which consisted at the time of signing the Construction Delivery Agreement (CDA) between LLC and the Council under which LLC would deliver ten plots to accommodate 6,100 athletes and officials during the Games. The ten plots, plus the use of former student accommodation at Oscott Gardens for Games-time accommodation (taking capacity to 6,500 bedspaces) will provide the City with a significant legacy benefit which will act as a catalyst for growth in the Perry Barr area.
- 1.4 Plot 2 has since also been omitted from LLC scope due to forecast costs exceeding budget and the required bed spaces have now been incorporated in a redesign of plots 8 and 9.
- 1.5 The contract for the delivery of Plot 7 will be let via LLC under the terms of the CDA contract.
- 1.6 The total contract value for plot 7 is circa £66m. Execution of this contract is within the financial authority set out in the FBC (June 2019), i.e. the cumulative value of each contract already placed including this proposed award is less than the total identified within the FBC budget for Housing Construction. This is detailed in Section 7.3.1.
- 1.7 This Report is not subject to call-in as it is an update report.

2 Recommendations

Cabinet notes the following

- 2.1 Lendlease Construction Limited will enter into a contract with Contactor A (as outlined in the outlined in exempted Appendix 1) for the delivery of Plot 7 on a fixed price basis at a value not exceeding £66.0m under the terms of the CDA entered into between the Council and Lendlease Construction Limited on 29 June 2019.
- 2.2 Notes the progress on delivery of the village for Games time as set out in section 3 of this report.

- 2.3 Notes that a further report will be presented in due course setting out a full Revised Full Business Case (RFBC) for the Perry Barr scheme as a whole, including both Games time and Legacy impacts.

3 Background

- 3.1 Birmingham was confirmed as Host City for the Commonwealth Games in December 2017. Under the Host City Contract entered into by the Games delivery partners, the Council is obligated to provide a Commonwealth Games Village (the Village), which will provide residential accommodation for up to 6,500 athletes and team officials during the Games (400 of the 6,500 to be provided through the refurbishment of Oscott Gardens).
- 3.2 Post Games, the core Village development will provide approximately 1,400 residential homes, with a mix of property types including affordable housing and private residential property, with the wider site providing capacity for a further 500 homes to be provided post-Games. This is a catalyst for the long-term delivery of 5,000 homes in the area, contributing to the city's need for 89,000 new homes in the period between 2017 and 2031.
- 3.3 One of the key legacy benefits of the Games is the regeneration of Perry Barr to become one of the most vibrant, dynamic and well-connected parts of Birmingham. The development of the nine new-build residential plots is fundamental to the realisation of these benefits.
- 3.4 As above, the FBC for the Perry Barr Regeneration Scheme (PBRS), including; the acquisition, demolition and remediation of a number of sites adjacent to the residential development, the refurbishment of Oscott Gardens, public realm improvements and the acquisition of land to deliver a series of highways improvement and public transport enhancement works, was approved by the Cabinet Member and Chief Officer on 6 June 2019.
- 3.5 The PBRS consists of three workstreams, summarised below:
- **Workstream 1: Phase 1 Residential Scheme** – construction of residential units to house athletes during Games time and provide legacy benefits;
 - **Workstream 2: Games time village** – delivery of sites to be temporarily developed by the Games Organising Committee (OC) for Games time operations;
 - **Workstream 3: Wider regeneration** – delivery of highways improvement and public transport enhancement works.
- 3.6 Since it was approved the Council has progressed in line with the intent set out in the FBC. Key progress is summarised below:
- a. LLC has been appointed under a Construction Development Agreement (CDA) to manage the delivery of the residential build;

- b. The design maturity has been developed to give a greater level of confidence in the complexity, pricing and timescales for construction;
- c. Negotiations have since progressed with Tier 1 contractors, for the construction of the residential developments (plots). It was quickly identified that Plot 2 should not be developed for Games time, and Plots 8 and 9 were accordingly reconfigured to mitigate the loss of bedspaces as a result of the omission of Plot 2.
- d. Contracts have been executed for three of the nine remaining plots (plots 6, 8 and 9 – providing 3,316 bedspaces); Discussions are progressing on the other plots with potential contractors.
- e. Negotiations have been completed with Contractor A for the construction of a 1,354 bed facility on plot 7 and this contract is now ready to let. This is the largest development on the site, and it is critical that work commences immediately to ensure that it can be delivered on time for handover to the Games Organising Committee by March 2022.
- f. Agreement has been reached with National Express for the relocation of its bus depot by an agreed date, which is crucial to the success of the scheme (the current bus depot site is a key part of Games time operations);
- g. Over 80% of the industrial units at Holford Corner (location for the Games time transport mall) have been acquired with the remainder to conclude February 2020 following confirmation of the underlying CPO in September 2019;
- h. Houses on Wellhead Lane (land required for Games time operations) are being acquired by agreement of sale or compulsory purchase order (CPO) with terms agreed or sales completed for over 70% of the properties, with all properties to be in BCC ownership by May 2020.

4 As per point c. above negotiations have progressed with Tier 1 contractors for the development of each of the plots, with three plots already in contract and a fourth the subject of this update report.

- 4.1 LLC enter into a contract, for the construction of Plot 7 as part of the Perry Barr Residential Scheme. Delivery of this plot will secure a further 1,354 bedspaces for Games time, bringing the total under contract to 4,670.
- 4.2 The contract will be placed under a New Engineering Contract (NEC) Engineering Construction Contract (ECC) Option A, Fixed Price with Activity Schedule contract and has an estimated value of ca. £66m, subject to agreement of final T&Cs.

- 4.3 LLC to enter into this contract the Council will remain on track to deliver against its obligations within the Host City Contract to provide 6,500 bed spaces for the athletes and their teams during Games time. Note: the additional 400 bed spaces will be provided by the refurbishment of Oscott Gardens.
- 4.4 In order to achieve the required date for handover of the plot to the Games Organising Committee, contract terms will need to be finalised and the contract executed by no later than the 17 February 2020. Any further delays to the start on site will result in the contractor not being able to guarantee this handover date within their proposed schedule and the Organising Committee not receiving sufficient assurance on the availability of bedspaces at Games time.

5 Consultation

- 5.1 Ongoing dialogue is taking place with Ward Councillors for Perry Barr, Aston and Birchfield to keep them up to date on progress of the development of the residential scheme and its potential to regenerate the wider area.
- 5.2 Opportunities for the regeneration at Perry Barr are set out in the Birmingham Development Plan and Aston, Newtown and Lozells Area Action Plan, both of which were subject to extensive consultation.
- 5.3 A Residents' Consultation Group has been established to ensure local people are kept informed of progress of schemes in the area, including that required as part of the CPO process. Response to the residential scheme has been positive and local people welcome the improvements it will bring to the area.
- 5.4 The Commonwealth Games Organising Committee (the OC), the Department for Culture, Media and Sport (the DCMS) and the Ministry of Housing, Communities and Local Governments (the MHCLG) have been consulted. on the recommended option and are fully supportive.

6 Risk Management

- a. If there is a delay in delivering Plot 7 and contract execution slips beyond the 17 February 2020, the Council is at serious risk of not having sufficient time to deliver against its obligations, as Plot 7 is on the delivery critical path.
- b. Plot 7 is situated prominently on what will be the approach route for many athletes and public who are travelling to the Alexander Stadium. There is a significant risk that if the contract is not executed, and the plot not developed, then there will be a detrimental impact to the high quality frontage of the residential development, which subsequently could impact the potential for maximising capital receipts post Games.

- c. Commercial negotiations are underway for the appointment of a contractor for the remaining plots, and any delay to the execution of the Plot 7 contract may have a negative impact upon the other commercial discussions.

7 Compliance Issues:

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

7.1.1 The proposed development at Perry Barr is in line with the Council's plans for growth as set out in the Birmingham 2031 Development Plan. The Village forms the first phase of significant proposals for Perry Barr.

7.1.2 This proposal is also consistent with the Council's Vision and Forward Plan 2018 – 2022 key priorities:

- **Birmingham is an aspirational city to grow up in** – the redevelopment of Perry Barr will lead to a step change in the local Neighbourhood and ensure a safe, warm, sustainable and connected environment in which our children can thrive;
- **Birmingham is a great city to live in** – the Council is committed to the development of enough high quality new homes to meet the needs of a growing city, and the proposals within this report seek to support housing growth in the city;
- **Birmingham is an entrepreneurial city to learn, work and invest in** – activity within the construction sector will create jobs and apprenticeships in the city, and activity in the supply chain industries, supporting the local economy through the Birmingham Business Charter for Social Responsibility;
- **Birmingham is a fulfilling city to age well in** – the links between health and housing are well recognised. The scheme will see the construction of new thermally efficient, economical to run new homes which are designed to high standards of quality and internal space standards, will be more affordable for residents and will offer a higher quality of life leading to better health outcomes;
- **Birmingham residents gain the maximum benefit from hosting the Commonwealth Games** – the development of accommodation for athletes will assist with improved housing together with the regeneration of Perry Barr will provide benefits to Birmingham residents.

7.1.3 Birmingham Business Charter for Social Responsibility (BBC4SR)

- LLC is an accredited signatory to the BBC4SR and has produced an action plan with commitments proportionate to the value of the overall

contract. The Tier 1 contractors will provide actions as part of their contract with LLC that will feed into the LLC action plan. These commitments will be monitored and managed throughout the contract period.

7.2 Legal Implications

7.2.1 The Localism Act 2011 aims to facilitate the devolution of decision-making powers from central government control to individuals and communities. Section 1 of the Act contains the City Council's general power of competence.

7.3 Financial Implications

7.3.1 The Full Business Case for the scheme, as approved on 6 June 2019, included provision for expenditure of up to £317.2m on construction (including post-games costs). The proposed contract award for Plot 7, together with other contractual commitments already in place, will result in total contractual commitments of circa £294.0m (including preliminaries, fees, infrastructure and services).

7.3.2 The overall budget identified in paragraph 7.3.1 was intended to cover the remaining plots in addition to post-games retrofit costs. This means that there are emerging cost pressures against the budget for the village as a whole.

7.3.3 Detailed work is underway with Government and our partners to determine the best games time solution and to review options to ensure delivery of the remaining elements of the scheme that are required.

7.3.4 It should be noted that the range of deliverable options available are constrained due to the fixed time available to deliver the accommodation for the Commonwealth Games in 2022.

7.4 Procurement Implications

7.4.1 This report is in line with the intent set out in the procurement approach detailed in the FBC (June 2019).

7.5 Human Resources Implications

7.5.1 The Council is providing support, skill and expertise from within existing resources. Where there is a gap in these resourcing requirements, external resource has been engaged.

7.5.2 There are no TUPE implications with this project but a number of staff from the Council are committed to ensuring the successful delivery. These include:

- Programme Sponsor
- Accounts and Financial support
- Programme Management

- Project Management
- Site assembly and property acquisition
- Project Management Office

7.6 Public Sector Equality Duty

7.6.1 The equalities implications for the development of the Commonwealth Games Village were set out in the report to Cabinet dated 14th November 2017, updated in June 2018 and then again in March 2019 and presented as part of the approval of the FBC jointly by Cabinet Member and Chief Officer, on 6 June 2019, and the same continues to apply. No material considerations were identified and continue to apply to the report recommendations as they do not have any adverse impact on the protected characteristics and groups under the Equality Act 2010.

8 Appendices

- Exempt appendix 1

9 Background Documents

9.1.1 Report to the Leader and the Cabinet Member for Finance and Resources jointly with the Director, Inclusive Growth and Chief Finance Officer (6 June 2019) – Commonwealth Games – Athletes Village