

## Revised Full Business Case (RFBC)

### Update to Economic, Financial and Commercial Cases

#### A. GENERAL INFORMATION

##### A1. General

|   |   |   |                  |
|---|---|---|------------------|
| <b>Project Title</b><br><i>(as per Voyager)</i> | <b>Birmingham 2022 Perry Barr Regeneration Scheme</b> |   |                  |
| <b>Voyager code</b>                             | Various   |   |                  |
| <b>Portfolio /Committee</b>                     | Leader's Portfolio                                    | <b>Directorate</b>                          | Inclusive Growth |
| <b>Approved by Project Sponsor</b>              | Ian MacLeod   | <b>Approved by Finance Business Partner</b> | Guy Olivant      |

##### A2. Business Case approvals *(Date and approving body)*

This document is an update to the Economic, Financial and Commercial Cases of the Perry Barr Regeneration Scheme (PBRs) Full Business Case (FBC), approvals to date as below:

- The Outline Business Case (OBC) was approved by Cabinet on 26 June 2018, and;
- The Full Business Case was approved through delegated authority by the Cabinet Member and Chief Officer on 6 June 2019.

##### A3. Project Description

This Revised Full Business Case (RFBC) is an update to the FBC for the PBRs which was approved through delegated authority by the Cabinet Member and Chief Officer on 6 June 2019.

This document is an update to the Economic (Options Appraisal), Financial and Commercial Cases, and provides a progress update of the work undertaken and changes to the scheme since FBC approval in June 2019. All other information remains unchanged from the FBC and is therefore not detailed in this document.

##### Overview

The PBRs is formed of three major projects:

**1. Phase 1 Residential Scheme:** the construction of 1,151 residential units, across eight plots at the Perry Barr site, which will accommodate approximately 5,900 of the total of 6,500 athletes during Games time. The refurbishment of Oscott Gardens provides a further c.400 Games time bed spaces bringing the total provision to 6311 (97%). Plots 2, 10 and 11 will be developed post-Games to deliver an additional 263 residential units.

The table below sets out the revised deliverable residential units per plot as a result of the design development since June 2019.

| Plot                 | Property type | Residential units<br>(FBC June 19) | Commercial units<br>(FBC June 19) | Residential units<br>(RFBC) | Commercial units<br>(RFBC) |
|----------------------|---------------|------------------------------------|-----------------------------------|-----------------------------|----------------------------|
| Plot 1               | Apartments    | 122                                | 3                                 | 125                         | 3                          |
| Plot 2 (Post Games)  | Houses (RFBC) | 92                                 | -                                 | 18                          | -                          |
| Plot 3, 4 & 5        | Houses        | 69                                 | -                                 | 58                          | -                          |
| Plot 6               | Apartments    | 268                                | 1                                 | 268                         | 1                          |
| Plot 7               | Apartments    | 267                                | 5                                 | 270                         | 3                          |
| Plot 8               | Apartments    | 158                                | -                                 | 217                         | -                          |
| Plot 9               | Apartments    | 172                                | -                                 | 213                         | -                          |
| Plot 10 (Post Games) | Apartments    | 239                                | -                                 | 209                         | -                          |
| Plot 11 (Post Games) | Apartments    | 28                                 | 2                                 | 36                          | 2                          |
| Total                |               | 1,415                              | 11                                | 1,414                       | 9                          |

**2. Phase 2 Games time Village:**

This project will deliver the land and infrastructure to enable the Birmingham 2022 Commonwealth Games Organising Committee (OC) to construct the temporary facilities required for Games time operations. Key Games time facilities include:

- Dining Hall: acquisition and demolition of the houses currently located on Wellhead Lane, clearing and preparation of the land to the OC's requirements.
- Games time Operations Centre: acquisition and relocation of the National Express Bus Depot and Job Centre Plus units currently located at Aston Lane. Clearing of the land and handover of the buildings for use by the OC.
- Transport Mall: acquisition and demolition of the Holford Corner industrial units, commonly known as Midland Chromium, clearing and preparing the land to the OC's requirements.

This project will also undertake refurbishment works to the former Birmingham City University (BCU) student campus, Oscott Gardens, in order to provide an additional c.400 bed spaces for athletes and their support teams during Games time. Post Games, Oscott Gardens will be demolished for redevelopment.

**3. Wider Regeneration:** the acquisition, demolition and remediation of land to enable the delivery of a series of highways improvements (A34 Highway Works and A34 Sprint incl. flyover demolition), public transport enhancements including the redevelopment of Perry Barr Rail Station and bus interchange, and improvements to Perry Barr Public Realm.

**Update since FBC approval, 6 June 2019**

Since June 19, the Council has progressed in line with the intent set out in the FBC. Progress is summarised below:

- Lendlease Construction Ltd (LLC) has been appointed under a Construction Development Agreement (CDA) to manage the delivery of the Phase 1 residential scheme;
- Design maturity of the scheme has increased to give a greater level of confidence through a more detailed understanding of the complexity, pricing and construction timescales;
- Negotiations have progressed well with Tier 1 contractors for the construction of the Phase 1 residential developments (plots);
- Contracts have been executed for four plots (6, 7, 8 & 9). On-site work has commenced;
- Final negotiations with the proposed Tier 1 Contractor for Plot 1 are well advanced and the Council will be in a position to enter into contract by 20 March 2020 to commence on site 30 March 2020;
- Land assembly is well advanced across the Perry Barr Regeneration scheme with more than 90% of land now in Council ownership;
- All of the industrial units at Holford Corner (location for the Games time transport mall) have been acquired or vested and are now in Council ownership;
- Over 80% of the houses on Wellhead Lane (land required for Games time operations) have either been acquired or had a price agreed. The remaining properties will be vested by 18th May 2020;
- Welfare and training facilities have been constructed, and are in operation at the Phase 1 residential development site;
- The FBC for the A34 Highways Works (ref. 006885/2019) was approved by Cabinet on 17 December 2019 and the scheme is progressing.

The following challenges have been experienced:

- An agreement has been reached with National Express for the relocation of their bus depot, which is crucial to the success of the scheme (the current bus depot buildings will be used as a key part of Games time operations). There was an increase of £15.7m from the costs provided in the FBC driven primarily by an increase in the estimated costs to construct a replacement depot. This cost has been agreed with National Express and is no longer at risk of increasing, unless BCC default under the terms of the agreement.
- The cost of residential development in the region has continued to increase due to an overheating construction market, resulting in construction cost price inflation for full delivery of the scheme as envisaged in June 2019 of £48.4m.

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To address the emerging cost pressures, the Council has progressively reviewed the cost, schedule and scope of the Phase 1 Residential scheme to ensure that the delivery approach and methodology will achieve the best possible value for money. A further two of the original eleven plots have been removed from Games time scope; Plots 2 and 11 will now be developed post-Games along with Plot 10. The Plot 2 bed spaces which would have been provided for Games time have been included in a revised design for Plots 8 and 9. Minor amendments to the number of bed spaces have been made across the other plots, as a result of design development. It is considered that the remaining shortfall of 184 bed spaces can be managed through discussions with the OC where we are looking to find a resolution with respect to scheduling of the sporting activities.

Procurement of Tier 1 contractors for the construction of each of the residential plots to be developed has progressed following competitive tender. The status of each contract is summarised below.

| Plot          | Beds  | Contract Status | Commentary   |
|---------------|-------|-----------------|--|
| Plot 1        | 670   | In negotiation  | T&Cs agreed, contract to be awarded by 20 March 2020 to maintain programme.                                  |
| Plot 3, 4 & 5 | 562   | TBC             | Delivery options of both modular and traditional build are being assessed. Decision by May 2020              |
| Plot 6        | 1,072 | Executed        | Contract executed, 20 <sup>th</sup> December 2019 and work commenced on site, 13 Jan 2020                    |
| Plot 7        | 1,354 | Executed        | Contract executed, 17 <sup>th</sup> February 2020 and work commenced on site, 24 <sup>th</sup> February 2020 |
| Plot 8        | 1,148 | Executed        | Contract executed, 8 <sup>th</sup> January 2020 and work commenced on site, 20 <sup>th</sup> January 2020    |
| Plot 9        | 1,096 | Executed        | Contract executed, 8 <sup>th</sup> January 2020 and work commenced on site, 20 <sup>th</sup> January 2020    |

### **Summary of Updates to the Business Case**

The long term benefits remain on track to be successfully delivered.

Whilst these benefits are key to driving growth across the City, the Council has been clear that the cost of delivery cannot be a detriment to the core services of the Council and should not place financial strain upon the citizens of Birmingham.

The Council has been robust in its management of the costs across the programme. During Q3 2019, cost pressures began to emerge across the PBRs, mainly within the Phase 1 Residential scheme.

The Council continues to work collaboratively with partners to explore funding opportunities whilst maintaining the construction timetable.

The table below summarises the emerging cost pressures before mitigation.

| Cost Pressures Before Mitigation                        | Value (£m) | Comments   |
|---|------------|--|
| Increased cost of relocating National Express Bus Depot | 15.7       | Includes construction costs for replacement bus depot (£13.8m) and Job Centre relocation (£1.9m) |
| Increased Housing Construction Costs                    | 48.4       | Reflects construction costs inflation due to overheated construction market in Birmingham        |

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|   |             |   |
|---|-------------|---|
| Increased Contingency                     | 19.7        | This increase in contingency, along with the £10.3m approved in the June 2019 FBC provides an overall contingency of £30m.                |
| Other minor variations                    | 8.0         | This nett position includes financing costs and cost arising from pressures e.g. soil removal plus additional scope items (Oscott refurb) |
| <b>Funding Pressure before mitigation</b> | <b>91.8</b> |   |
| Preparation for legacy                    | 25.0        | Funded from enhanced disposal proceeds  |
| <b>Net cost increase</b>                  | <b>66.8</b> |   |

The Council has reviewed both the construction delivery and commercial models for the scheme. Section C sets out the appraisal undertaken to identify viable and practical delivery options, whilst maintaining the Council's obligations to the OC and the commitment to delivering legacy benefits for the City.

An initial assessment of nine options was undertaken, to understand the most efficient and affordable delivery approach. Following the initial assessment, three options considered deliverable were assessed in greater detail before drawing conclusions and making recommendations.

The options appraisal is detailed in Section C of this paper. The key commercial and financial implications are set out in Sections D and E, respectively.

The Strategic and Management Cases have not been updated as they remain unchanged from the FBC.

### A4. Scope

The scope of the PBRS is included within Appendix A of the FBC, June 2019.

### A5. Scope exclusions

See Appendix A of FBC, June 2019.

A number of scope items required for Games time are non BCC costs, however the Council may determine that it is 'best for project' that it takes delivery responsibility, subject to funding being provided by the stakeholders and these schemes being cost neutral to the Council. These scope decisions will be managed through the Change Control governance established for the Programme.

Development of plots 2, 10 and 11 are out of scope of this RFBC, as is legacy retrofit and demolition / remediation requirements.

## B. STRATEGIC CASE

*This sets out the case for change and the project's fit to the Council Plan objectives*

### B1. Project objectives and outcomes

*The case for change including the contribution to Council Plan objectives and outcomes*

The overall objectives of the Perry Barr Regeneration Scheme remain unchanged from the FBC in June 2019.

### B2. Project Deliverables

*These are the outputs from the project e.g. a new building with xm2 of internal space, xm of new road, etc*

The project's deliverables remain as detailed in the Perry Barr Regeneration Scheme, FBC, June 2019, with the following additions:

- (i) Provision of a new building to house the Job Centre Plus service
- (ii) Refurbishment of student accommodation acquired by the Council at Oscott Gardens
- (iii) Additional Games time requirements, incl. floor coverings, locks for bedrooms, accessible living areas (bedrooms and bathrooms), additional FM support services, Games time Transport Mall and public realm.

The Council may decide to take responsibility for additional deliverables required to ensure the Games time village meets the Host City requirements e.g. the provision of a Games time Transport Mall and temporary public realm finishes within the Village, subject to funding being provided by the appropriate stakeholders.

Plot 2 is not being delivered for Games time and has planning permission for development post-Games. The Games time bed spaces originally included within Plot 2 have been incorporated in the revised schemes for Plots 8 & 9.

### B3. Project Benefits

*These are the social benefits and outcomes from the project, e.g. additional school places or economic benefits.*

The Project Benefits for the Perry Barr Regeneration Scheme remain unchanged from the FBC, June 2019.

#### **B4. Benefits Realisation Plan**

*Set out here how you will ensure the planned benefits will be delivered*

The Benefits Realisation Plan for the Perry Barr Regeneration Scheme remains unchanged from the FBC in June 2019.

#### **B5. Stakeholders**

The Project Stakeholders for the Perry Barr Regeneration Scheme remain unchanged from the FBC in June 2019.

### **C. ECONOMIC CASE AND OPTIONS APPRAISAL**

*This sets out the options that have been considered to determine the best value for money in achieving the Council's priorities*

#### **C1. Summary of options reviewed**

*(including reasons for the preferred option which has been developed to FBC)*

*If options have been further developed since the OBC, provide the updated Price quality matrix and recommended option with reasons.*

The options appraisal has focused on the emerging cost pressures associated with the Phase 1 Residential scheme. Nine options were identified of which three were regarded as deliverable. Appraisal was undertaken considering the following:

- Reputational risk to the Council: removing plots from the scope of the residential scheme and re-housing athletes and their support teams during Games time in accommodation elsewhere in the City is likely to have a reputational impact to the Council. Whilst obligations to OC can be met, the inability to house all athletes/support teams at the Games Village, within close proximity to the Alexander Stadium is likely to damage the reputation of the Council. Of particular concern is the additional cost and complexity of maintaining the safety and security of the athletes, and officials.
- Logistics of transporting athletes/teams: the Games Village is located within one mile of the Alexander Stadium, where the opening and closing ceremonies and the some of the key sporting events will take place. The close proximity of Village to the Stadium enables an efficient and cost effective solution to Games time logistics in terms of transporting athletes to and from their events, training etc.
- Proximity to facilities: welfare facilities, training facilities and the international zone for the friends and families of the athletes will all be located in the immediate vicinity of the Games Village.
- Accommodation specification: the alternative accommodation used to re-house the athletes displaced by the plots removed from scope will be required to meet the specification set by the OC. Contingency plans in this event involve re-housing athletes and officials.

The table below sets out a summary of the options. The subsequent section provides further detail associated with the deliverable options. All options assume Plot 2 remains de-scoped, with the bed spaces included within redesigned plots 8 and 9. All options, with the exception of Option 2, assume Oscott Gardens refurbishment remains in scope to deliver c. 400 bed spaces for Games time.

| Option   | Description   | Capital Cost | No. beds de-scoped | Deliverable |
|----------|---|--------------|--------------------|-------------|
| Option 1 | Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11 (as per FBC, June 2019)                 | £314m        | -                  | ✓           |
| Option 2 | Deliver Plots 1, 3, 4, 5, 6, 7, 8 and 9. De-scope Plot 11                           | £300m        | 184                | ✓           |
| Option 3 | Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11. De-scope Oscott Gardens                | £314m        | 419                |             |
| Option 4 | Deliver Plots 3, 4, 5, 6, 7, 8, 9 and 11. De-scope Plot 1                           | £282m        | 670                |             |
| Option 5 | Deliver Plots 3, 4, 5, 6, 7, 8 and 9. De-scope Plots 1 and 11.                      | £269m        | 854                | ✓           |
| Option 6 | Deliver Plots 6, 7, 8 and 9. De-scope Plots 1, 3, 4, 5 and 11                       | £254m        | 1,416              |             |
| Option 7 | Deliver Plots 1, 6, 7, 8 and 9. De-scope Plots 3, 4, 5 and 11                       | £286m        | 746                |             |
| Option 8 | Deliver Plots 1, 6, 7, 8, 9 and 11. De-scope Plots 3, 4, and 5                      | £299m        | 562                |             |
| Option 9 | De-scope all residential plots. Assumes range of 30-40% of committed costs. Further | min £93m     | 6,086              |             |

|  |  |  |  |  |
|--|--|--|--|--|
|  | costs maybe incurred including potentially handback of funding grants. |  |  |  |
|--|--|--|--|--|

Three options were identified as deliverable.

Risks and opportunities associated with the deliverable options were considered, taking into account the Council's obligations within the Host City Contract and conditions associated with funding agreements.

The options were discussed with relevant stakeholders and were appraised taking cognisance of the delivery consequences to others, e.g. the Department for Culture, Media and Sport (DCMS), OC, TfWM and WMCA.

The financial impact of the deliverable options is provided in Section E. Options 3, 4, 6, 7, 8 and 9 were discounted on a cost/ benefit basis.

If the Council were to proceed with option 5 it is likely that the OC would be entitled to claim for losses or increased costs for providing bed spaces elsewhere. Early indications are that this would be in the region of £9.3m associated with the de-scoping of 854 Games time bed spaces.

### **Option 1, Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11 (as per FBC)**

This option considers maintaining the scope of the scheme as per the FBC which was approved in June 2019. This option would enable the Council to meet its obligations of the Host City Contract – to provide 6,500 bed spaces for athletes at Game-Time.

### **Option 2, Deliver Plots 1, 3, 4, 5, 6, 7, 8 and 9 and de-scope Plot 11**

This option delivers 97% of the bed space requirements as set out in the Host City Contract, and it is considered that the remaining shortfall of 184 bed spaces can be managed through discussions with the OC with respect to scheduling of the sporting activities. The Council are in discussions with the OC to find a resolution in respect of the scheduling of sporting activities. This approach also de-scopes the Plot that delivers the worst value for money of the various elements of the scheme, and that has an uncertain legacy benefit post-Games. By deferring the delivery of Plot 11 until post-Games, it will be possible to secure an end-user in advance of delivery, and to ensure that the property constructed is optimised for its legacy use.

### **Option 5, Deliver Plots 3, 4, 5, 6, 7, 8 and 9 and de-scope Plots 1 and 11**

Option 5 comprises a number of sub-elements:

- Plots 6, 7, 8 and 9 have been contracted.
- Plots 1 and 11 will be de-scoped for Games time and completed post-games. As a result, the Village will be 854 bed spaces short at Games time against its target of 6,500 bed spaces. Preliminary discussions with the OC have been undertaken and precautionary provisions made to re-house the displaced athletes at Warwick University and/ or hotel accommodation at the NEC.
- Plots 3, 4 and 5 will be developed for the Games to be used post-games as affordable housing. The decision of using modular or traditional building techniques will be made by June 2020.

Commercial implications:

- Removal of plots 1 and/or 11 could potentially have a positive impact on the cost of the preliminaries and fees charged by Lendlease and reduction should be sought.
- Additional commercial and legal advice should however be sought to protect the interest of the Council and provide an accurate calculation of the potential retrospective cost retrieval, which should also include for the loss of Plot 2 previously and which is yet to be determined.

The Council, in conjunction with the West Midlands Combined Authority (WMCA) and Transport for West Midlands (TfWM) will continue to progress with plans to improve transport links to and around Perry Barr.

Highways improvements include the demolition of the A34 flyover, improved road layout for local citizens and through-traffic, improved public transports including 'Sprint' buses and the enhancement of Perry Barr station. These improvements are crucial for the legacy scheme but also at games time to ensure the safety and security a large number of games visitors.

### **Recommendation**

To deliver Plots 1, 3, 4, 5, 6, 7, 8, and 9 (option 2) to continue with the regeneration of Perry Barr, thereby delivering the housing growth, highways and public transport improvement and the requirements for the Games time Village which enables the Council to substantially deliver its obligations within the Host-City Contract.



This option is recommended as it will deliver an improved environment within the Perry Barr centre and act as a catalyst to generate further development opportunities and deliver future growth in the area.

It is anticipated that a significant number of additional new homes will also be delivered across the wider area over the next 15 years and further improve the commercial viability of the residential scheme being built.

The Council will be able to take advantage of the £171.1m grants awarded from Central Government as well as the other funding secured. £148.3 million was provided directly to the Council to support the delivery of the Games Village, highway works and wider land assembly programme with the remainder (£17m) provided to the WMCA with responsibility for delivering the new Perry Barr Station Interchange.

A further benefit realised by pursuing the preferred option, is to deliver a number of additional deliverables required to ensure the Games time village meets the Host City requirements e.g. the provision of a Games time Transport Mall and temporary public realm finishes within the Village.

These are the responsibility of other stakeholders, however it may be more cost effective for the Council to deliver these schemes, subject to funding being provided by the stakeholders and these schemes being cost neutral to the Council.

### **C2. Evaluation of key risks and issues**

*The full risks and issues register is included at the end of this FBC*

The specific risks and considerations associated with the implementation of the scheme are set out below:

- a. Tier 1 Contractor failure e.g. insolvency, poor performance. There is a risk that the main contractor or subcontractor(s) become insolvent due to poorly performing projects and cash flow issues resulting in the project stalling and the need to re-procure a main contractor and/ or sub-contractor(s). To mitigate against this financial due diligence is undertaken prior to contract award.
- b. Project Acceleration costs due to unforeseen delays. There is a risk of unforeseen delays due to the impact of severe health outbreaks (coronavirus potential to reduce workforce by up to 20%), severe weather conditions, reducing the rate of progress and/or unforeseen events resulting in delays. The contingency provision will remain under active review. Current mitigation measures include: -
  1. Focus on supply chain – localising where possible
  2. Workforce resilience – identifying additional sources of manpower
  3. Extended hours – introducing weekend and evening working to stay on programme
  4. Smarter/agile working – providing the tools to ensure staff are able to work remotely
  5. Reinforcing good health and hygiene practice
- c. Logistics Pressures due to a number of contractors working on site and in the Perry Barr area. There is a risk that site access, labour, materials etc. are restricted for construction traffic due to other construction works taking place in the Perry Barr area. An integrated transport management plan including construction demand across the area is being developed.

Further, it is proposed that options are explored with partners to identify a suitable funding solution that increases the level of contingency for the project to around £40m, commensurate with the size and complexity of the scheme.

### **C3. Other impacts of the preferred option**

*Describe other significant impacts, both positive and negative*

Positive Impacts: -

1. Provides much needed housing to the area
2. Significant improvement in terms of access to and provision of green space
3. Unlocks development potential and on-going regeneration of the area, including new commercial and residential development within the centre
4. Provides capital receipts from sale of accommodation and land post Games
5. Provides income by way of council tax and business rates
6. The programme will provide for an improved public realm
7. Improved public transport priority and cycle routes through the area will be provided
8. The public transport improvements will provide for better access to rail and bus services, better modal interchange, and a more attractive environment for passengers
9. Wider site assembly will both facilitate the delivery of the schemes outlined above and will enable the delivery of new development to improve the local centre and provide additional housing post-Games

10. A review of the scheme has identified the opportunity to introduce more green space and increase the biodiversity of the site.
11. The review has also provided the opportunity to introduce more sustainable energy provision. Plots 8 and 9 will now have electric heating system, where previously it was gas central heating.
12. Plot 2 will be available for open market sale post-Games, at a current estimated value of £4.5m. This will also allow for more homes to be built within the existing footprint of the scheme
13. Plot 10 will be available for open market sale post-Games, at a current estimated value of £6.0m.
14. Plot 11 will be available for open market sale post-Games and a provisional estimate is yet to be determined.
15. Digital infrastructure will be introduced enabling occupants to have ultra-fast Broadband and full wi-fi capability
15. Provision of a bus interchange and railway station to serve the local network
17. Provision of the Sprint bus service will further enhance public transport provision in the area
18. Provision of a Job Centre closer to the local Perry Barr centre
19. The scheme is currently proposed to complete in Spring 2022. There will however, be early release of individual buildings within each plot (sectional completion) to provide early handover of these to OC.

Negative Impacts: -

1. The works will cause disruption to businesses and residents in the area. The Council is working with the contractors on the various schemes being developed across the Perry Barr area to minimise disruption.

## D. COMMERCIAL CASE

*This considers whether realistic and commercial arrangements for the project can be made*

### D1. Partnership, Joint venture and accountable body working

*Describe how the project will be controlled, managed and delivered if using these arrangements*

N/A

### D2. Procurement implications and Contract Strategy:

*What is the proposed procurement contract strategy and route? Which Framework, or OJEU? This should generally discharge the requirement to approve a Contract Strategy (with a recommendation in the report).*

There has been no change to the procurement or contract strategy.

If the decision to build plots 3, 4 and 5 using traditional construction methods is confirmed, the Council will to procure a Contractor to carry out these works. If the decision is to use Modern Methods of Construction, there will be no change in Procurement or Contract strategy.

### D3. Staffing and TUPE implications:

#### Staffing

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

The Council has entered into a number of contracts to support the delivery of the scheme as detailed in the table below:

| Service   | Provider                                |
|---|---|
| Procure, manage and co-ordinate the delivery of all the plots, including the award of sub-contracts for individual plots to be developed by Tier 1 contractors  | Lendlease Construction (Europe) Limited |
| Employers Agent, Quantity Surveying pre RIBA Work Stage 3. Stage 3 onwards NEC Project Management and Supervisor services for the Phase 1 Residential Scheme and the Phase 2 Games Time Village works (To be confirmed) | Arcadis LLP                             |
| Site Investigation and Geotechnical Services  | White Young Green Ltd (WYG)             |
| Demolition and remediation for phase 1  | DSM Demolition Ltd                      |
| Professional advice on acquisitions/disposals.  | Various                                 |
| Design Assurance  | Acivico                                 |



## APPENDIX 1

|   |                     |
|---|---------------------|
| Programme Management and Governance (Delivery Partner Capital Programme support)      | Turner and Townsend |
| Demolition and Remediation works to land acquired for phase 2                         | TBC                 |
| Consultancy service to develop a disposal strategy for the wider site                 | CBRE                |
| Design and build of the modular office facility to house the Job Centre Plus Service. | TBC                 |
| Site investigations and geotechnical services   | WYG                 |
| Planning services   | Various             |
| Refurbishment of Oscott Gardens   | TBC                 |

### TUPE

There are no TUPE implications with this project.

**E. FINANCIAL CASE**

*This sets out the cost and affordability of the project*

**E1. Financial implications and funding**

The table below sets out a summary of the cost position (**Column C**) compared with the position approved at FBC (**Column B**), subsequently compared with the outcome of enacting Option 2 (**Column D**).

| Column A                         | Column B         | Column C                         | Column D                                |
|----------------------------------|------------------|----------------------------------|---|
| Cost component                   | FBC June 19 (£m) | Option 2 financial position (£m) | Variation: FBC June 19 vs Option 2 (£m) |
| Land Acquisitions                | 53.2             | 54.9                             | 1.7                                     |
| Housing Construction             | 261.6            | 296.8                            | 35.2                                    |
| Retrofitting                     | 24.0             | -                                | -24.0                                   |
| Site Infrastructure              | 31.6             | 32.4                             | 0.8                                     |
| Additional costs post-CDA        | -                | 12.1                             | 12.1                                    |
| Highways                         | 27.1             | 27.1                             | 0                                       |
| School Relocation                | 5.6              | 5.6                              | 0                                       |
| Demolition Costs                 | 13.1             | 8.9                              | -4.2                                    |
| Fees                             | 28.8             | 30.6                             | 1.8                                     |
| Bus Depot                        | 13.1             | 28.8                             | 15.7                                    |
| Capitalised Interest             | 24.2             | 29.3                             | 5.1                                     |
| Contingency                      | 10.3             | 15.0                             | 4.7                                     |
| <b>Gross Capital Expenditure</b> | <b>492.6</b>     | <b>541.5</b>                     | <b>48.9</b>                             |
| Sale Proceeds                    | (313.7)          | (317.1)                          | (3.4)                                   |
| Grants                           | (171.0)          | (171.1)                          | (0.1)                                   |
| Capital Receipts                 | -                | (20.0)                           | (20.0)                                  |
| Capital Contingency              | -                | (15.7)                           | (15.7)                                  |
| Revenue Contributions            | (7.9)            | (17.6)                           | (9.7)                                   |
| <b>Gross Income / Funding</b>    | <b>(492.6)</b>   | <b>(541.5)</b>                   | <b>(48.9)</b>                           |
| <b>Nett Cost</b>                 | <b>Nil</b>       | <b>Nil</b>                       | <b>Nil</b>                              |

The year by year cost and income plan is provided in section G1

**E2. Evaluation and comment on financial implications:**

The implementation of the recommended option will result in a requirement for the utilisation of £15.7m of capital reserves to fund the previously identified overspend relating to the relocation of the National Express Bus Depot, together with the earmarking of £20m of future capital receipts to resolve remaining cost pressures.

There is a requirement in relation to the Transport Mall and associated public realm, carpets and bedroom locks for which discussions are ongoing with partners in line with the principle that BCC is not responsible for the funding of temporary works that do not deliver a legacy benefit.

### E3. Approach to optimism bias and provision of contingency

It is considered that a contingency of £15m for a programme of this scale and complexity maybe insufficient and a more appropriate level would be in the region of £40m. We are in discussion with partners to identify the appropriate size, shape and funding arrangements for this level of contingency.

The contracts signed for plots 6, 7, 8 and 9 are fixed-price against a verified design and a prudent approach to contingency has been introduced which mitigate against optimism bias.

### E4. Taxation

*Describe any tax implications and how they will be managed, including VAT*

Acquisition costs are all considered inclusive of Stamp Duty Land Tax (SDLT) implications, and it is considered that the VAT liability relating to construction costs and land acquisition will be either recoverable as it will result in non-business usage, or can be managed within the overall VAT partial exemption limits for the Council.

## F. PROJECT MANAGEMENT CASE

*This considers how project delivery plans are robust and realistic*

### F1. Key Project Milestones

*The summary Project Plan and milestones is attached at G1 below*

### Planned Delivery Dates

#### Perry Barr Residential Village Scheme

|   |  |
|---|--|
| Cabinet Approval of Outline Business Case   | Jun 2018 completed                         |
| Selection of Lendlease Construction (Europe) Limited to deliver residential village | Nov 2018 completed                         |
| Planning Application for Residential Village granted                                | Dec 2018 completed                         |
| Preliminary Services Contract awarded to Lendlease Construction (Europe) Limited    | Feb 2019 completed                         |
| Commence preliminary works on site  | May 2019 completed                         |
| Full Business Case Approval   | Jun 2019 completed                         |
| Complete BCU site demolition and remediation  | Jun 2019 completed                         |
| Commence site wide infrastructure works   | Jul 2019 completed                         |
| Commence plots construction   | Jan 2020 completed                         |
| Complete plots construction and handover to OC                                      | Mar 2022                                   |
| Completion of all public realm areas  | May 2022. Access for OC from 01 April 2022 |

#### Games time Village and Wider Regeneration

|   |                    |
|---|--------------------|
| Conclude land acquisition negotiations  | May 2020           |
| Compulsory Purchase Order (CPO) made  | Dec 2018 completed |
| CPO Inquiry   | Jul 2019 completed |
| Confirmation of CPO (anticipated)   | Sep 2019 completed |
| Vesting of land through CPO   | May 2020           |
| Assembly and preparation of Games time Village site complete – handover to OC | Apr 2022           |

#### Job Centre Relocation

|                                      |          |
|--------------------------------------|----------|
| Aston Lane Demolition                | Jan 2020 |
| Modular Build Design                 | Oct 2019 |
| Modular Build Contractor Procurement | Feb 2020 |
| Modular Build Construction           | Jun 2020 |

## F2. Achievability

*Describe how the project can be delivered given the organisational skills and capacity available*

### Phase 1 Residential Scheme

In addition to the skills and resources identified in the FBC, BCC has engaged other resources to provide additional skills and expertise and ensure the scheme of works are delivered to schedule and cost. These include:

- Turner and Townsend to establish the Birmingham 2022 Capital Programme Management Office (PMO) to provide more robust governance, leadership and challenge and align all projects to a consistent set of project controls and standards.
- Acivico – provision of architect, structures and mechanical and electrical expertise to assure the design is fit for purpose.

### Phase 2 Games time Village

Resources associated with land acquisitions, demolition and remediation were identified in the FBC. In addition:

- Acivico are supporting the delivery of Job Centre relocation;
- The OC are reviewing the Perry Barr Residential Scheme designs to ensure they meet their requirements and conducting quarterly Assurance Reviews;
- Provision of project management services to ensure the OC requirements are met.

### Wider regeneration

Resources associated with land acquisitions, demolition and remediation were identified in the FBC and the work is progressing to plan.

All other projects which deliver a series of highways improvements (A34 Highway Works and A34 Sprint incl. flyover demolition), public transport enhancements including the redevelopment of Perry Barr Rail Station and bus interchange, and improvements to Perry Barr Public Realm, are outside of the scope of the RFBC.

## F3. Dependencies on other projects or activities

A number of schemes are required to be delivered in parallel to ensure the Council can meet its Host-City obligations. In addition to the Perry Barr Residential Scheme, other major capital projects include:

- A number of highway, transport and public realm infrastructure schemes
- Re-development of the Alexander Stadium
- Delivery of Sandwell Aquatics Centre (in partnership with Sandwell Metropolitan Borough Council)

These projects are now being managed as a single Birmingham 2022 Capital Programme to ensure interfaces and dependencies are co-ordinated and that handover to the OC is managed in a consistent way across the different projects.

## F4. Officer support

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**Programme Manager:** Mumtaz Mohammed

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## F5. Project Management

*Describe how the project will be managed, including the responsible Project Board and who its members are*

A number of Project Boards are in place to manage and oversee project and programme delivery as follows:

- A Project Board consisting of all partners responsible for delivering and monitoring projects in the Perry Barr area incl. the Council (Planning, Housing, Birmingham Property Services, Procurement, Financial, Legal and Transportation), Transport for West Midlands, Homes England, West Midlands Combined Authority and Arcadis LLP.

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- b) A Project Board to oversee the delivery of the Perry Barr Residential Scheme consisting of the Council, OC, DCMS, Games Partners, Lendlease Construction UK Ltd and Arcadis LLP..
- c) A Capital Programme Board to oversee the delivery of all capital projects associated with the Games. The Board consisting of representatives from the Commonwealth Games Federation, Alexander Stadium, Sandwell Borough Council (Aquatics Centre) Games –Time Village, the Council, OC, DCMS and Games Partners.
- d) A Capital Programme Executive Board is in place to provide a smaller senior executive group with greater oversight and assurance over the Birmingham 2022 Capital Programme, complementing and building upon the work done by all stakeholders at the Capital Programme Board.

To improve consistency and robustness of project controls across the various capital projects required in support of Games time, the Council has also instructed Turner & Townsend as the Birmingham 2022 Capital Programme 'Delivery Partner'.

**G. SUPPORTING INFORMATION***(Please adapt or replace the formats as appropriate to the project)***G1. Year by Year Capital Expenditure Plan**

|  | Prior<br>Years<br>£'m | 2019/20<br>£'m | 2020/21<br>£'m | 2021/22<br>£'m | 2022/23<br>£'m | Total<br>£'m |
|--|-----------------------|----------------|----------------|----------------|----------------|--------------|
| Land Acquisition   | 10.481                | 44.423         | -              | -              | -              | 54.904       |
| Housing Construction                                       | 2.710                 | 80.644         | 129.312        | 69.657         | 14.511         | 296.834      |
| Retrofitting   | -                     | -              | -              | -              | -              | -            |
| Site Infrastructure & Services including post CDA<br>Costs | 0.263                 | 38.016         | 2.100          | 3.150          | 1.000          | 44.529       |
| Highways   | 0.126                 | 3.642          | 13.989         | 8.425          | 0.921          | 27.103       |
| EFA Relocation   | -                     | 5.588          | -              | -              | -              | 5.588        |
| Demolition inc Abnormals                                   | 1.238                 | 5.057          | 1.113          | 1.000          | 0.536          | 8.944        |
| Fees   | 5.090                 | 9.749          | 7.450          | 5.669          | 1.826          | 29.784       |
| Bus Depot  | 5.975                 | 5.913          | 17.661         | -              | -              | 29.549       |
| Capitalised Interest                                       | 0.140                 | 2.230          | 6.730          | 10.646         | 9.511          | 29.257       |
| Contingency  | -                     | 5.368          | 5.777          | 2.654          | 1.208          | 15.007       |
| Total  | 26.023                | 200.631        | 184.132        | 101.201        | 29.513         | 541.500      |



## G. SUPPORTING INFORMATION

*(Please adapt or replace the formats as appropriate to the project)*

## G2. Project Plan



**G. SUPPORTING INFORMATION***(Please adapt or replace the formats as appropriate to the project)***G3. Summary of Key Risks**

| KEY RISKS |  |              |       |   |  |                        |             |               |                        |
|-----------|--|--------------|-------|---|--|------------------------|-------------|---------------|------------------------|
| Risk ID   | Description including Games Consequences   | Original RAG | Owner | Mitigation  | Update   | Residual / Current RAG | Proximity   | Escalate Y/N? | Resolution Target Date |
| R111      | <b>Logistics Pressures due to a number of contractors working on site and in the Perry Barr area</b> Programme for transport related schemes (i.e. highways improvements, train station, A34 Sprint) may not align with the village construction programme and compromise project delivery of village and/or transport infrastructure schemes. | 25           | BCC   | Project managers ensure co-ordination of designs and construction plans integrate between schemes.  | Transport infrastructure Group meetings held regularly to co-ordinate activity and manage interdependencies and conflict in the area. Travel Demand Management plan including construction traffic is being developed for the area.                      | 16                     | Approaching |               | On-going               |
| R141 X    | <b>Project Acceleration costs due to unforeseen delays.</b> The Business Case for the Athletes Village, and in particular the level of contingency included within the financial plan is below the level that would be required to ensure Green Book compliance  | 25           | BCC   | Project level contingency supplemented by additional £10m ring fencing of Council's overall Capital Contingency. Risk of need to access contingency reduced by approach to contracts including fixed price contracts and role of Lendlease. | Revised Full Business Case being progressed for approval and incorporating revised costs and programme provided by Tier 1 contractors. The RFBC will seek further £19.6m contingency that will be managed through an established Change Control process. | 16                     | Approaching |               | On-going               |
| R36       | Site access, egress, logistics, labour materials etc. are restricted for construction traffic due to   | 20           | BCC   | 1. BCC to appoint a co-ordinating manager for co-ordinating all   | A site wide logistics solution has been introduced. This will ensure   | 12                     | Approaching | N             | On-going               |

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|     |   |    |     |   |   |    |         |   |          |
|-----|---|----|-----|---|---|----|---------|---|----------|
|     | associated other construction works taking place in the vicinity (i.e. Highways (Sprint) Rail upgrade, Utility works or work associated with neighbouring schemes resulting in a delay to the construction programme.   |    |     | works associated with works around the CWG Village.<br>2. BCC to ensure that there is an agreed set of rules that all contractors working around the Athletes village are signed up to and that there is a regular forum which all contractors attend to co-ordinate works.<br>3. Project Manager to ensure that rules are issued at tender stage to the tendering primary contractor for the Athletes village.       | all deliveries to the main residential scheme are co-ordinated and managed and impact of this activity on neighbouring schemes is managed.<br><br>Additional resources are being deployed to develop a Travel Demand Strategy across the Perry Barr developments. |    |         |   |          |
| R60 | <b>Tier 1 Contractor Failure e.g. insolvency, poor performance.</b> There is a risk that the main contractor or sub-contractor(s) becomes insolvent due to poorly performing projects and cash flow issues resulting in the need to re-procure a main contractor/sub-contractor and the project stalling. | 15 | BCC | 1. Lendlease will ensure that a thorough financial check is undertaken on short listed primary contractors and key sub-contractors.<br>2. Step-in rights by LLC or Tier 1 contractor to manage out contract with exiting supply chain are part of the contract with the Council.<br>3. BCC to consider taking out a bond to enable them to complete the works without the need for a lengthy re-procurement exercise. | Due diligence being undertaken on the T1 contractors by Lendlease ahead of confirming contracts for each plot. BCC have undertaken a separate exercise to mitigate risk.  | 10 | Distant | N | On-going |
| R28 | There is a risk the supply chain may not meet the cost of the programme due to future economic changes and currency fluctuations which may lead to a sub-optimal design/product.  | 12 | BCC | Employer's Agent confirms the contract conditions provide that the contractor is responsible in the event of supply chain insolvency.<br>Price fluctuations may sit with the main contractor depending on which options apply of the individual contracts.  | T1 contractors signed into PSC contracts prior to confirming full contract to provide opportunity for confirming design and cost through supply chain providing higher level of confidence of cost and supply.  | 9  | Distant | N | Jul 19   |

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|     |   |    |     |  |  |    |         |   |        |
|-----|---|----|-----|--|--|----|---------|---|--------|
| TBC | There is a risk that additional contingency funding is not yet secured. | 25 | BCC | Discussions are ongoing with funding partners to supplement the capital contingency for delivery of this scheme. | Currently in discussion with partners. | 20 | Current | Y | Mar 20 |
|-----|---|----|-----|--|--|----|---------|---|--------|