

OUTLINE BUSINESS CASE (OBC)

A. GENERAL INFORMATION

A1. General

Project Title <i>(as per Voyager)</i>	Outline Business Case: Development of Signal Hayes Community and Sports Resource		
Voyager code			
Portfolio /Committee	Finance and Resources	Directorate	Neighbourhoods
Approved by Project Sponsor	Chris Jordan AD Neighbourhoods	Approved by Finance Business Partner	Ramesh Prashar

A2. Project Description

The proposal is for an external organisation to design, build, operate and manage a new community/sports facility to include an external playing pitch on the former Hardy Spicer sports ground off Weaver Avenue and Horsfall Drive. The land is owned by Kier Ventures Ltd and Rubery Owen Holdings but will be transferred to the Council prior to commencement of the proposed works on site.

The site historically was agricultural in nature prior to being a sports ground for the Hardy Spicer company employees. By the 1990s the land had reverted back to undeveloped greenfield with residential properties constructed on the surrounding areas. The residential build has continued into the 2000's. The site is now overgrown and has been the focus of some anti-social behaviour e.g. fly tipping and arson.

As part of the housing development a Section 106 Agreement was drawn up which included in summary provision for the following:

- Provision of open space
- Provision of an Education contribution
- Provision of a community/sports facility (to include community access)
- Highways improvement works
- Enhancements to a woodland area

This Outline Business Case focuses solely on the delivery of a community/sports facility.

The original proposal was for Kier Ventures Ltd to build a facility and the YMCA would operate and maintain it; however due to a number of issues arising including financial constraints and a breakdown in communications the project floundered. In order to progress it, a Deed of Variation was approved which agreed that the developer would transfer a commuted sum of £3.5m to the Council, who would take responsibility of delivering the community/sport facility.

A robust consultation exercise has been carried out with local residents and organisations to identify the priority requirements of the asset. These include an external sports pitch, a sports hall, café, a car park, gym and changing rooms together with one 1-2 flexible rooms that can be multi purpose and used as fitness studios and community spaces.

A number of options have been considered for the delivery and operations of the resource. The proposal is for a new purpose-built facility and does not replace an existing facility. There is no existing operational budget identified to run the facility hence the requirement to undertake a

procurement process to award a contract on a Design, Build, Operate and Maintain basis is considered to be the most appropriate way forward. This option has already been utilised successfully for a number of leisure centres and golf facilities within Neighbourhoods Directorate's property portfolio.

It is anticipated that a Full Business Case and Contract Award will be presented to Cabinet early in 2021.

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

This proposal supports the Birmingham City Council Plan 2018-2022 specifically:

Outcome 2 Birmingham is an aspirational city to grow up in. It is proposed that the new facility will provide a range of activities to support children both during term time and the school holidays.

Outcome 3 Birmingham is a fulfilling city to age well in. Birmingham's active participation in sport and recreation is low compared to the national average. The proposed new facility will offer support to families and individuals to advise them on healthy lifestyles and provide fitness activities for all ages. Walmley and Minworth Ward has an older age profile than the Birmingham as a whole. Approximately 48% are over 45 years old and the probability of being socially isolated is high. The proposal will provide opportunities to improve social networks, reducing isolation.

Outcome 4 Birmingham is a great, clean and green city to live in. The proposed facility will be based on the requirements and needs of the local community, identified through a robust consultation process.

B2. Project Deliverables

These are the outputs from the project eg a new building with xm2 of internal space, xm of new road, etc

It is proposed that the community/sports facility will consist of the following:

- External playing pitch
- Car park
- Landscaping
- Walking/jogging route around the boundary perimeter
- Reception and back office
- Café with internal and external seating area and toddler play area
- Changing rooms including showers, toilets, baby change
- Storage/cleaners room
- 1 -2 Multipurpose rooms (fitness studio/community space)
- Sports hall

B3. Project Benefits

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

Measure	Outline Impact
Increase in the number of residents who	Improved health and wellbeing of the local

engage in physical activities.	community - reduction in obesity levels together individual health benefits.
Develop the land to reduce in antisocial behaviour i.e. fly tipping, arson, nuisance	Reduction in incidents reported to BCC/WMP.
Provision of activities to develop active social networks	Reduction in social isolation.
Offer of a wide range of sporting activities for all ages	Increase in participation levels (team and individual)
Accessible pricing structure	Membership increase over a 5-year period
Ascetically improve and regenerate plot of land	Replacing an overgrown underused area with a landscaped fit for purpose building.

B4. Property implications

Describe any implications for Council properties and for the Council's property strategies

This proposal supports the Property Strategy 2018/19 – 2023/24 by putting forward a solution whereby an external organisation will build, operate and maintain a purpose-built resource for a specified length of time, to provide community and sport related activities. Community/Sports assets operated by independent providers make a major contribution to the social fabric of the City.

C. ECONOMIC CASE - 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. Options reviewed

A full description and review of each option is in Section G1

Option 1 - To carry out a procurement process to award a contract for the design, build, operation and management of a purpose-built community and sports facility.

Option 2 – The Council to procure a Design and Build option for a new community and sports facility and lease to a third party to operate and manage.

Option 3 – The Council to procure a Design and Build option and to operate and manage a community and sports facility in house.

Option 4 – To do nothing (discounted as the use of the S106 funding is for a specific purpose).

C2. Summary of Options Appraisal – Price/Quality Matrix

Criteria	Option score (out of 10)				Weight	Weighted Score			
	1	2	3	4		1	2	3	4
1. Total capital cost	8	6	6	10	20	1.6	1.2	1.2	2
2. Upfront revenue cost	10	6	6	10	10	1	0.6	0.6	1
3. Full year revenue consequences	10	6	4	10	20	2	1.2	0.8	2
4. Benefits: Council priorities	9	8	10	0	15	1.35	1.2	1.5	0
5. Benefits: Service priorities	10	8	10	0	15	1.5	1.2	1.5	0
6. Deliverability and risks	10	6	4	0	20	2	1.2	0.8	0
Total	57	40	40	30	100%	9.45	6.6	6.4	5

Further details are given in the Options Appraisal Records attached at the end of this OBC.

C3. Option recommended, with reasons

Which option is recommended and the key reasons for this decision.

Proposed option: to carry out a procurement process to award a contract for the design, build

operation and management of the facility. This option addresses the need for a community/sports resource to support the new housing development around the Signal Hayes Road area of Walmley. It meets the criteria of the Section 106 Agreement. Also, this is the most sustainable option for the Council as it will be budget neutral which is critical as there is no existing revenue funding available to operate a new facility.
C4. Risks and Issues of the preferred option
An Outline Risks and Issues Register is attached at the end of this OBC (section G2), including risks during the development to Full Business Case stage.
C5. Other impacts of the preferred option
<i>Describe other significant impacts, both positive and negative</i>
It will regenerate the plot of land formerly known as the Hardy Spicer Sports Ground which has not been used since the 1990's and is now overgrown and been the target of anti-social behaviour. The proposed development will ascetically improve the visuals of the area. The proposed development will have a positive impact on the health and wellbeing of the local community, targeting both mental and physical health improvements.
D. COMMERCIAL CASE
<i>This considers whether realistic and commercial arrangements for the project can be made</i>
D1. Partnership, Joint venture and accountable body working
<i>Describe how the project will be controlled, managed and delivered if using these arrangements</i>
The successful contractor will be contracted via DBOM contract. Overall responsibility for the design, construction and maintaining the asset will sit with the contractor.
D2. Procurement implications:
<i>What is the proposed procurement strategy and route? Which Framework, or OJEU?</i>
The strategy is to carry out a procurement process using the Competitive Process with Negotiation procedure.

E. FINANCIAL CASE*This sets out the cost and affordability of the project***E1. Financial implications and funding**

	Financial Year:	2019/20	2020/21	2021/21	later	Total
		£000	£000	£000	£000	£000
Capital code:	<input type="text"/>					
CAPITAL EXPENDITURE						
Capital costs already incurred						0.0
Development costs to proceed to FBC						0.0
Other costs to complete:						
Fees		2.0	70.0	28.0	0.0	100.0
						0.0
						0.0
						0.0
						0.0
Contingencies						0.0
Total capital expenditure		2.0	70.0	28.0	0.0	100.0
CAPITAL FUNDING:						
Development costs funded by:						
S106		2.0	70.0	28.0	0.0	100.0
						0.0
Other costs funded by:						
S106 (payment dates tbc)				3,400.0		3,400.0
						0.0
						0.0
Total capital funding <i>must fund all the costs</i>		2.0	70.0	3,428.0	0.0	3,500.0

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Financial Year:	2019/20	2020/21	2021/22	later	Total
	£000	£000	£000	£000	£000
Revenue code:					
REVENUE CONSEQUENCES					
Revenue costs during project delivery:					
[please itemise]					0.0
					0.0
Operating period expenditure:					
[please summarise main items]					0.0
					0.0
					0.0
					0.0
Less income:					
[please itemise]		[enter as negatives]			0.0
					0.0
Less proposed savings					0.0
Net revenue consequences	0.0	0.0	0.0	0.0	0.0
REVENUE FUNDING:					
Current budget provision					0.0
Other revenue resources identified:					0.0
[please itemise]					0.0
					0.0
Total revenue funding	0.0	0.0	0.0	0.0	0.0
<p>The revenue costs for this proposal will be built into the DBOM contract and the responsibility of the successful bidder.</p>					
E2. Evaluation and comment on financial implications:					
<p>The proposal is to be funded from the Section 106 Agreement relating to land at the former Hardy Spicer Sports Ground. A commuted sum of £3.5m has been transferred to the Council for the delivery of this proposal. The payment intervals to the contractor under a DBOM contract are to be agreed as part of the contract negotiations.</p>					
E3. Approach to optimism bias and provision of contingency					
<p>The successful bidder will be responsible for including a contingency sum as part of the construction contract and managing how it is used.</p>					
E4. Taxation					
Describe any tax implications and how they will be managed, including VAT					
The construction of the community/sports resource will be liable to VAT at 20%; Provided that BCC					

leases the facility to the DBOM bidder for £1/peppercorn with no other consideration being due under the lease, the lease will be non- business. If so, the Council can reclaim VAT on the construction without any adverse impact on its recovery position.

If any consideration is due under the lease. the lease will be exempt from VAT and will have adverse VAT recovery implications for BCC. Any amounts due to the Council from the DBOM bidder should be paid under a management/operating agreement such that those payments are liable to VAT at 20% and do not compromise the Council's VAT recovery position. The DBOM bidder's entitlement to reclaim VAT will depend upon the VAT treatment of its income from the facility. Should there be any changes to the current proposals, the VAT implications of the revised proposals will need to be considered.

As this is a construction project, the requirements of HMRC's Construction Industry Tax Scheme will be included in the contract documentation to ensure the Council's compliance.

F. PROJECT MANAGEMENT CASE

This considers how project delivery plans are robust and realistic

F1. Key Project Milestones	Planned Delivery Dates
Cabinet and OBC approval	17 th March 2020
Issue OJEU and tender notice	April 2020
Return of Selection questionnaires (SQ)	May 2020
Evaluation and shortlisting of SQ	May/June2020
Commence negotiation process	June 2020
Successful bidder announced	Jan 2020
Cabinet approval - Full Business Case approval & Contract Award	March 2021
Contract commences	April 2021

F2. Achievability

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

Property Services have previously, worked alongside Strategic Sport to successfully deliver the Sport and Leisure Framework Contract which is a similar principle to this proposal whereby a third party is commissioned to Design, Build, Operate and Manage leisure facilities for a fixed term on behalf of the Council. There are resources /in house skills in place to assist in the delivery of this proposal

F3. Dependencies on other projects or activities

- Generating sufficient interest to attract expressions of interest in the project and thereafter tender submissions.
- Approval of FBC and Contract Award
- Planning approval

F4. Products required to produce Full Business Case

This should be a full list of the items required in order to produce a Full Business Case.

- Procurement Strategy

- Tender documentation and submissions
- Developed design
- Ongoing consultation/stakeholder analysis
- Contract management plan
- Site investigations
- Outline Planning application
- Cost plan
- Outline programme

F5. Estimated time to complete project development to FBC

Give an estimate of how long it will take to complete the delivery of all the products stated above, and incorporate them into a Full Business Case.

10-12 months

F6. Estimated cost to complete project development to FBC

Provide details of the development costs shown in Section F1 above (capital and revenue). This should include an estimate of the costs of delivering all the products stated above, and incorporating them into a Full Business Case. The cost of internal resources, where these are charged to the project budget, should be included. A separate analysis may be attached.

Not to exceed £100k

F7. Funding of development costs

Provide details of development costs funding shown in Section F1 above.

Fees for: Legal Services, Corporate Procurement Services and Acivico to advise on the procurement strategy, DBOM contract and an overview of the construction design, specification and build.

F8. Officer support

Project Manager: Lesley Steele

Project Accountant: Lisa Pendlebury

Project Sponsor: Dave Wagg

F9. Project Management

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

The procurement process will be managed inhouse by Corporate Procurement Services. The overall project development and delivery will be project managed by Property Services on behalf of Strategic Sport

Project Board Members: Proposed: Finance Ramesh Prashar

Service: Chris Jordan

Property Services: Phillip Andrews

G. SUPPORTING INFORMATION

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

G1. OBC OPTIONS APPRAISAL RECORDS (these are summarised in section C2)

The following sections are evidence of the different options that have been considered in arriving at the proposed solution. All options should be documented individually.

Option 1	To award a contract for the design, build, operation and management of a purpose-built community and sports facility.
Information	Capital funding

Considered	Revenue (operational running/maintenance costs) S106 criteria for spend Fit for purpose provision Infrastructure Local consultation
Pros and Cons of Option	<p><i>What were the advantages/positive aspects of this option?</i> Single source of responsibility for the design, construction and maintenance of the build. The S106 funding provides a one-off lump sum contribution to the successful contractor. Provides the best value for money option. No additional revenue pressure to the Council to operate a new facility as the contractor is responsible for operating and maintaining the asset. The Council will own the asset. Addresses the requirements of the public consultation for a fit for purpose community/sports resource. Meets the terms of the S106 Agreement. Health and Wellbeing benefits for the local community. Addresses the issues of anti-social behaviour on the site by developing it.</p> <p><i>What are the Disadvantages/negative aspects of this option?</i> The Council will not have overall control of the facility. The Council will not be leading on the design process so limited control of the quality of the design/build. Fixed capital sum may mean compromises on the size of the facility and what can be incorporated. Lack of commercial interest which will impact on taking this option forward.</p>
People Consulted	Local residents and organisations, Local Ward Members, Planning
Recommendation	Proceed
Principal Reason for Decision	Low risk to the Council and addresses the expectations/aspirations of the local community.

Option 2	To award a contract to construct the facility and lease to an external organisation to operate and maintain a new community and sports facility
Information Considered	Capital funding Revenue (operational running/maintenance costs) S106 criteria for spend Fit for purpose provision Infrastructure Local consultation
Pros and Cons of Option	<p><i>What were the advantages/positive aspects of this option?</i> The Council will own the asset. The Council will retain responsibility for design. It will be built to a standard/specification approved by BCC Addresses the requirements of the public consultation for a fit for purpose community/sports resource. Meets the terms of the S106 Agreement. Health and Wellbeing benefits for the local community. Addresses the issues of anti-social behaviour on the site by developing it.</p> <p><i>What are the Disadvantages/negative aspects of this option?</i> Risk of building a facility that the tenant has not had any input in to (risk of costly maintenance). Risk of not securing a tenant which will impact on the facility going live. The Council may have to identify some upfront revenue if there is a delay</p>

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	securing a tenant to operate/maintain the asset in the interim. If no tenant is identified the asset may have to be mothballed for a period. The Council would be responsible for securing the building. Fixed capital sum may mean compromises on the size of the facility and what can be incorporated.
People Consulted	Local residents and organisations, Local Ward Members, Planning
Recommendation	Abandon.
Principal Reason for Decision	High risk for the Council if a tenant is not secured.

Option 3	The Council to award a contract to construct the facility and operate in house.
Information Considered	Capital funding Revenue (operational running/maintenance costs) S106 criteria for spend Fit for purpose provision Infrastructure Local consultation
Pros and Cons of Option	<p><i>What were the advantages/positive aspects of this option?</i> The Council owns the asset The Council retain responsibility for design. It will be built to a standard/specification approved by BCC Addresses the requirements of the public consultation for a fit for purpose community/sports resource. Meets the terms of the S106 Agreement. Health and Wellbeing benefits for the local community. Addresses the issues of anti-social behaviour on the site by developing it.</p> <p><i>What are the Disadvantages/negative aspects of this option?</i> The Council does not have a revenue budget allocated to operate and manage a new community/sports resource. Similar community/sport facilities are expending approximately £108k to £135k p.a. on operating/staffing costs. There is no viable business case.</p>
People Consulted	Local residents and organisations, Local Ward Members, Planning
Recommendation	Abandon.
Principal Reason for Decision	Unaffordable option for the Council.

Option 4	Do nothing
Information Considered	Capital funding Revenue (operational running/maintenance costs) S106 criteria for spend Fit for purpose provision Infrastructure Local consultation
Pros and Cons of Option	<p><i>What were the advantages/positive aspects of this option?</i> There are no benefits of not progressing this proposal.</p> <p><i>What are the Disadvantages/negative aspects of this option?</i> Risk of losing £3.5m S106 funding if nothing is done. A Deed of Variation would be required to change the spend purpose which could be refused by the developers. The local community would not benefit from the health and wellbeing outcomes of a community/sport resource.</p>

	The anti-social behaviour already experienced on the site would not be addressed. Expectations/aspirations of the local community not met leading to loss of trust with BCC.
People Consulted	Local residents and organisations, Local Ward Members, Planning
Recommendation	Abandon.
Principal Reason for Decision	This does not address the spend purpose of the Section 106 Agreement.

G2. OUTLINE RISKS AND ISSUES REGISTER			
<i>Risks should include Optimism Bias, and risks during the development to FBC</i>			
<i>Grading of severity and likelihood: High – Significant – Medium – Low</i>			
		Risk after mitigation:	
Risk or issue	mitigation	Likelihood	Severity
1. No interest from the market place to tender for this opportunity	Evidence from previous soft market testing indicates there is an appetite for DBOM leisure contracts.	Low	High
2. Budget is deemed insufficient	Review size/scope of the proposal	Low	Low
3. Programme slips	Review programme to identify any float to address slippage.	Low	Low
4. Outline Planning refused	Consultation meetings with planning officer to be arranged	Low	Low
5. Financial impact on BCC if the S106 funding must be returned to the developer	Only the balance of funding would need to be returned as BCC could evidence that they had endeavoured to progress the project so abortive fees/survey costs etc would not have to be refunded.	Low	Low
6. Departure of key members of the project/delivery team	Work is done on a team basis with sharing of information.	Medium	Low
7. Local communities' expectations are not managed	Consultation with all stakeholders will be ongoing throughout the project to ensure all are kept informed of progress and concerns/issues addressed.	Low	Low