

# Birmingham City Council

## Report to Cabinet

11<sup>th</sup> February 2020



**Subject:** OUTLINE BUSINESS CASE FOR THE LEGACY DEVELOPMENTS FOLLOWING THE COMMONWEALTH GAMES AT ALEXANDER STADIUM, PERRY BARR

**Report of:** ACTING DIRECTOR OF NEIGHBOURHOODS

**Relevant Cabinet Member:** Councillor Ian Ward, Leader  
Councillor Tristan Chatfield, Cabinet Member for Finance and Resources

**Relevant O&S Chair(s):** Councillor Mariam Khan – Commonwealth Games, Culture and Physical Activity  
Councillor Lou Robson – Economy and Skills  
Councillor 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		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007168/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

# 1 Executive Summary

- 1.1 The wider Perry Barr regeneration programme seeks to meet both need and aspiration. It is a long-term programme with the hosting of the Birmingham 2022 Commonwealth Games (the Games) acting as a catalyst for accelerated growth and a moment of significance in its journey. Alexander Stadium and Perry Park are at the heart of the regeneration and will play a key role in the delivery of a successful Games.
- 1.2 An FBC for the redevelopment of the Stadium has been approved. This report now addresses the legacy of the Stadium and the opportunities presented to maximise this in conjunction with the surrounding parkland as part of the wider regeneration of Perry Barr.
- 1.3 Post-Games, the continued success of the Stadium and its parkland setting, require further capital investment to ensure this asset has a lasting, positive legacy for the local community, the city, partners and visitors.
- 1.4 Access to high-quality facilities for sport and recreation is an important facet of the future vision for the area of Perry Barr and neighbouring wards. As such, through a comprehensive review of the facilities in the area, local need and aspirations have been considered.
- 1.5 This report presents the Outline Business Case for the legacy projects at the Alexander Stadium and Perry Park, following the Games. The following proposals would contribute to the strategic outcomes outlined by Birmingham City Council, specifically 'Enjoy a High Quality of Life' by providing improved leisure facilities and 'Make a Contribution', allowing local people and interest groups to engage in community activities and civic participation in their area.
- 1.6 All proposals are subject to further consultation. Initial engagement with key stakeholders and an appraisal of the site and potential future uses have culminated in the following. The proposals presented this report aim to enhance the site and ensure a sustainable legacy beyond the Games. In summary they include:
- A new wet and dry leisure facility to replace the tired Beeches Pool and Fitness Centre;
  - A new visitor's centre and café to be located in Perry Park adjacent to the Perry Reservoir;
  - New physical activity installations/external play facilities for people of all ages in the Park;
  - Investment in the BMX offer in Perry Park; and
  - Delivery of new pathways around the Park and cycle routes.
- 1.7 Birmingham City Council is also working with Birmingham City University to accommodate future need including the provision of student accommodation and a 12-court sports hall post-Games. This is also intended to support the

wider regeneration efforts for Perry Barr. However, additional work is required to find a suitable location for this offer in proximity to the Stadium and will be subject to a thorough site options appraisal and further consultation with local citizens before any decisions are made. Please note for clarity, the Walsall Road Allotments are safeguarded from these proposals and remain an important leisure facility and community asset to the residents of Perry Barr.

- 1.8 The purpose of the report is to provide information to Members to allow a decision to be made on the capital investment required and to proceed with advancing to a Full Business Case following an appraisal of options, design and wider public consultation in line with the wider Masterplan being developed for Perry Barr.

## **2 Recommendations**

That Cabinet:

- 2.1 Approves the Outline Business Case included at Appendix 1 to this report.
- 2.2 Notes the intention to submit formal bids for funding contributions to the overall costs of the works.
- 2.3 Approves the submission of an application to Sport England for a grant for £2 million from their Strategic Facilities Fund for the provision of improvement community sports leisure facilities.
- 2.4 Approves in principle for the closure, demolition and disposal of Beeches Pool and Fitness Centre with a replacement facility to be provided at the Stadium site, subject to public consultation. Subject to a future full business case cabinet report.
- 2.5 Approves, in principle in addition to 2.4, that should the disposal and replacement of Beeches Pool and Fitness Centre be agreeable, that the capital receipt from the disposal is ringfenced to support the demolition costs and laying out of the land.
- 2.6 Approves the funding of £5 million of Council resources to support the development of the investment and £0.5 million of Community Infrastructure Levy (CIL) subject to such funding becoming available.
- 2.7 Delegates to the Director, Neighbourhoods authority to make bids for and accept subsequent offers of funding from any other organisations or funders that may be identified as appropriate contributors to the costs of the proposed works, subject to any funding conditions attached to the funding offers being acceptable.
- 2.8 Notes, following publication of the wider Perry Barr masterplan, the requirement and submission of planning application(s) necessary for the delivery of the proposed investment around Q3 2021.
- 2.9 Delegates to the Director, Inclusive Growth authority to negotiate and agree the terms of lease agreements for the occupation of commercial space in and

around the stadium and park to help secure the legacy of the stadium post-Games.

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

### **3 Background**

3.1 In January 2017 the ambition to deliver sustainable growth and regeneration in Perry Barr was set out in the Birmingham Development Plan (BDP). The Aston, Newtown and Lozells Area Action Plan and the City's Urban Centres Framework build on this.

3.2 In December 2017 the Commonwealth Games Federation announced Birmingham as the host city for the 2022 Commonwealth Games. The hosting of this major event has helped to accelerate and increase the scope of the planned delivery of growth in the area and presents the Council and its partners with opportunities to push forward at pace with the regeneration of Perry Barr.

3.3 A key component in the delivery of the Games and wider regeneration plans, is the redevelopment of Alexander Stadium, plans for which were approved by Birmingham City Council's Planning Committee on 30<sup>th</sup> January 2020. To ensure a sustainable future for the stadium and its wider parkland setting beyond the Games, a legacy package of investment is required to explore additional uses on site and improve access and connectivity.

3.4 The site should include a varied facility mix that provides a financially sustainable legacy with modern, attractive and fit-for-purpose venues that include the adjoining park and integration of the site with the canal, cycle routes and footpaths to other sporting facilities in the area.

3.5 The project would provide measurable, socio-economic impact to the local community, while attracting new users to the site following the investment that will generate greater footfall, improve safety of visitors, encourage physical activity for all ages and provide a focal point for the local community.

3.6 The proposals draw on work commissioned by Birmingham City Council to FMG Consulting Ltd which included consultation with key stakeholders. As noted, wider public consultation on the proposals will be required should Members decide to progress with the proposals outlined in this report.

#### **Project Objectives**

3.7 The objectives for the project that it will be assessed and evaluated upon on include:

- Reducing the existing Operating Deficit of the stadium;
- An increase in physical activity participation;
- Improved community engagement with the facilities and the Park;
- Widening the use of the site by residents and visitors; and

- Provision of an increased sports offer for the community.

## 4 Case for Change

4.1 There are several aspects that make up the case for change or the Strategic Case. These drivers have collectively been used to determine the case for change and include:

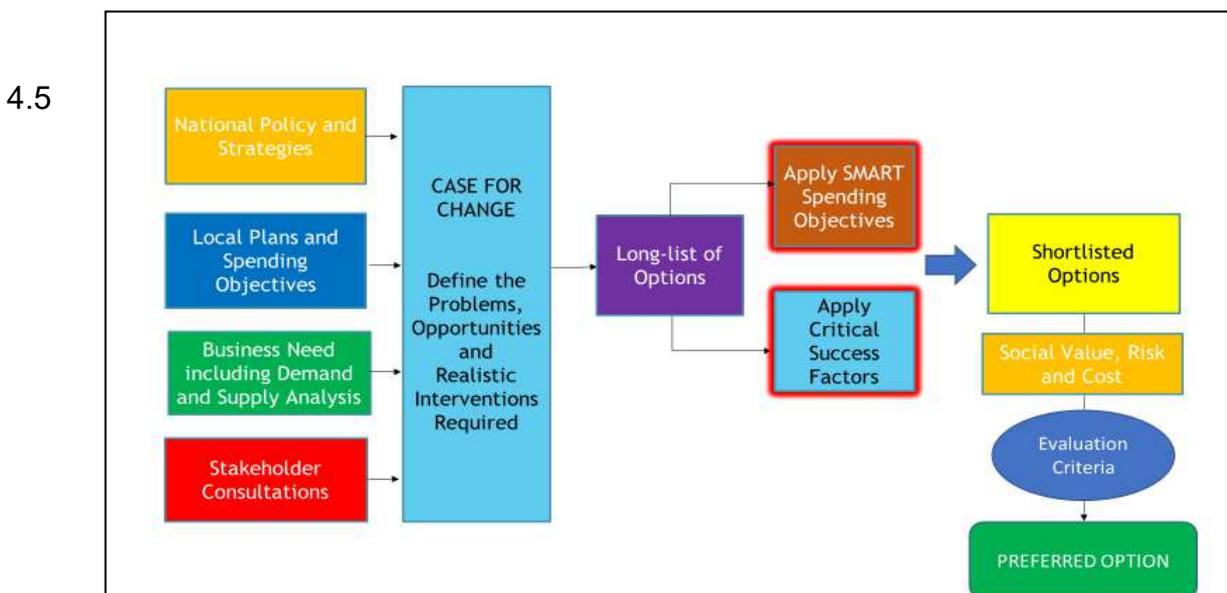
- National plans and policies;
- Local plans and policies (including the BDP, Aston, Newtown and Lozells Area Action Plan, the City’s Urban Centres Framework and in consultation with representatives from Birmingham City Council responsible for the delivery of the emerging wider Perry Barr Masterplan);
- Consultation feedback from key stakeholders on future uses and opportunities of the site;
- Demographic and local data;
- Market gap analysis;
- Project constraints; and
- Project dependencies.

4.2 The outcome of the Case for Change identifies issues that may need to be addressed or opportunities that have been identified to provide new facilities or services that align with legacy expectations, generate new income, support a return on capital employed and/or leverage economic value.

4.3 These issues and opportunities were captured in a long-list of Options that were then evaluated against the SMART Spending Objectives and Critical Success Factors.

4.4 The process model used is set out in Figure 1.

**Figure 1 – The Process Model**



ion model then identified a short list of validated options that were taken forward for further evaluation using the Economic, Commercial and Financial case methodologies; this process concluded with a final Preferred Option.

4.6 The Outline Business Case (OBC) is based on HM Treasury's Green Book's five case appraisal model.

4.7 This OBC sets out the principles of investment that address the objectives and which will deliver a number of positive outcomes for the City and in particular the Perry Barr area including:

- The provision of substantial infrastructure onto the site to develop a minimum 20-year built legacy for the Birmingham City Council and its citizens;
- The creation of substantial investment into the community through direct infrastructure changes and indirect social and economic impact;
- Bringing the Perry Park and Alexander Stadium together as a community facility creating a destination, while taking into account complementary programming alongside the wider leisure facilities in Perry Barr and the surrounding area (undertaking the development as part of the wider Masterplan for the area);
- The creation of high-quality mixed sport facilities that will encourage the community to engage and participate;
- Bringing additional activity into the park with opportunities for new uses, interactive pathways and improved connectivity to key walking and cycling routes;
- The provision of facilities that meet local community need and aspiration and that of elite sport;
- A new educational offering through the partnership with Birmingham City University;
- An improved offering of a range of free-to-use facilities alongside commercial facilities to increase visits and dwell time and encourage repeat attendance that supports a sustainable business plan.
- Addressing the spending objectives set by the Council.

## 5 Consultation

The development of this OBC has benefitted from in-depth consultation (via 1-2-1 face-to-face meetings and teleconferences) with the following organisations and key stakeholders. Progression of these proposals would be subject to further consultation inclusive of the local community:

- Sport England
- England Hockey
- Department for Culture,

- Media and Sport
- Gymnastics Club
  - Existing Tenants at Alexander Stadium
  - English Institute for Sport
  - UK Athletics
  - Barford Tigers
  - Holford Drive Community Sports Hub
  - Birmingham City Council Members and Officers
  - Serco Leisure Operating Ltd and Birmingham Community Leisure Trust (re: Beeches Pool and Fitness Centre)
  - Birchfield Harriers
  - Birmingham City University
  - Walsall Road Allotments
  - Friends of Perry Park
  - The Canal & River Trust
  - British Cycling
  - Sport Birmingham
  - British Basketball Federation (National Governing Body responsible for basketball in Britain)
  - The Active Wellbeing Society

## 6 Shortlisted Options

6.1 The outline business case outlined three options to take forward for further, wider public consultation as set out below:

<b>Option 1 – Do Minimum</b>	Operation of the Stadium (post-Games) to include Birmingham City University as an anchor tenant and transfer use of the High-Performance Centre (HPAC) to the University. This is in line with the approved Stadium FBC.
<b>Option 2 – Improved offering for Perry Park</b>	As Option 1, plus the potential provision of new leisure facilities in the wider Perry Park. This could be inclusive of: a visitor centre and café, external play facilities, new pathways, and investment in cycling routes etc.
<b>Option 3 – Improved offering for Perry Park and a new leisure centre</b>	As Option 2, plus the potential provision of a new wet and dry leisure facility replacing the Beeches Pool and Fitness Centre which would be closed and the site sold.

### Option 1 - Do Minimum

- 6.2 The Do Minimum Option has been defined as Option 1 and is limited to the operation of the stadium post-Games, which will include Birmingham City University taking occupancy of the new West Stand and the HPAC (as per the Stadium FBC). In addition, there is 1,000 sq m of lettable space within the existing East Stand which will be advertised and made available for new tenants on the site.
- 6.3 Birmingham City Council is also working with Birmingham City University to accommodate future need including the provision of student accommodation and a 12-court sports hall post-Games. This is also intended to support the wider regeneration efforts for Perry Barr. However, additional work is required to find a suitable location for this offer in proximity to the Stadium and will be subject to a thorough site options appraisal and further consultation with local citizens before any decisions are made. Please note for clarity, the Walsall Road Allotments are safeguarded from these proposals.

### Option 2 – Improved offering for Perry Park

- 6.4 Under this option in addition to the stadium operations, the park would be developed to contribute to engagement with the local community to improve both mental and physical health. This will see additional facilities and community offerings incorporated into the existing site with substantial enhancements to the park and green spaces.

### Option 3 – Stadium, Park and New Leisure Centre

- 6.5 Under this option, the stadium and park are developed (as above) and a new leisure centre is constructed. Subject to further review and consultation, Beeches Pool and Fitness Centre would be closed and the site sold. A new replacement wet and dry facility would be developed to provide new accessible facilities to the local community, again supporting community engagement and improvements to physical and mental health.

### Options alignment to Strategic Priorities

- 6.6 The table below confirms how the options align to the Council’s project objectives.

	Option 1	Option 2	Option 3
Reduce Operational Deficit	*****	*	****
Increase Participation in Activities	**	****	*****
Community Engagement	**	****	*****

Wider Park Usage	*	*****	*****
Additional Leisure Facilities	*	***	*****

## 7 Risk Management

- 7.1 The project has a comprehensive risk register for the development and delivery of the range of projects within the stadium, new leisure facility and park.
- 7.2 These have been considered and risk mitigation plans will be put in place to reduce any likelihood or impact of these occurring.
- 7.3 Risks associated with the implementation of the decisions will be managed within the Birmingham 2022 Programme Risks, Issues and Dependencies (RID) Management Protocol. This dynamic approach to RID management is embedded within project delivery and includes clear lines of escalation.

## 8 Compliance Issues

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

- 8.1.1 The legacy from the Games will seek to contribute to tackling health inequalities across the City, by inspiring more people to become active either through taking part in physical activity or being a volunteer for the Games, improving both their physical, mental health and general wellbeing.
- 8.1.2 The project has been developed to ensure the outcomes align to National, Regional and Council Strategies and Policies (e.g. DCMS, Sport England, Council Corporate Plan, Council budgets, LEP plans and strategies etc.).
- 8.1.3 The proposed expansion of the site is an indication of Birmingham's ambitions to increase the relative scale and magnitude of the existing infrastructure at the Stadium ensuring a sustainable legacy for the site post-Games. The essential requirements are not limited to increasing capacity, but also include other sporting facilities and aesthetics that should conform to contemporary athletic infrastructure in order to present a competitive and attractive sporting facility that will leverage events and returns on capital employed.
- 8.1.4 Increasing local community use of the site is paramount to the project outcomes, as the Games legacy cannot be achieved without a direct increase in local activity levels coming from an improved facility provision and service offering.
- 8.1.5 The relocation of the BCU sports science faculty to the Perry Barr site will naturally bring increased footfall, academic learning and additional complementary sports related outputs and activities. Integration of the BCU into the Stadium site for the benefit of the wider community will be key element to delivering successful project outcomes.

- 8.1.6 The Council has worked with its partners to develop a vision for the Games and legacy which supports the development of the scheme. The power the Games and the legacy will provide positively impact on the local communities, including:
- harder to reach groups;
  - delivering opportunities to collaborate with partners and other local organisations;
  - providing social and economic benefits arising from the delivery of the construction project;
  - visitor spend and private investment; and
  - the provision of high-quality education through the partnership with the BCU and the provision of facilities for elite sport.
- 8.1.7 Uniquely the Legacy project is well placed to deliver solutions that will address the issues affecting the local communities, including encouraging people to move more, increasing their physical activity, improving nutrition, reducing obesity, reducing social isolation, and reducing the financial impact on NHS through providing preventative health education and classes.
- 8.1.8 In summary the decisions within this report will help contribute to tackling health inequalities across the city, especially the local community, by inspiring more people to be active by engaging with the stadium and park, improving both their physical and mental health and general wellbeing.
- 8.2 **Birmingham Business Charter for Social Responsibility (BBC4SR)**
- 8.2.1 The requirements of the BBC4SR will be included in any subsequent procurement activity required and the detail will be included in individual procurement strategy reports.
- 8.3 **Legal Implications**
- 8.3.1 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence in Sections 2 and 4 of the Localism Act 2011 and S111 of the Local Government Act 1972, which contains the Council's subsidiary financial powers to spend borrow or lend money which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.
- 8.3.2 Sections 120-123 of the Local Government Act 1972 contains the Council's land acquisition and disposal powers. S123 of the Local Government Act 1972 prohibits the disposal of property for a consideration less than the best that can be reasonably obtained. The S123 best consideration duty applicable to this report will be discharged by an independent expert valuation report.
- 8.3.3 All constituent transactions forming part of this business case will be negotiated on commercial terms, such terms being consistent with the conditions and requirements for receipt of the grant funding necessary to implement the

proposals, including the requirement that the constituent transactions do not breach competition law.

8.3.4 The procurement of the works and management operator for the site, as well as concessions will comply with the Public Contract Regulations 2015 and the Concession Contract Regulations 2016.

#### 8.4 **Financial Implications**

8.4.1 The current budgeted direct net revenue cost of the Stadium for 2019/20 is £2.108 million (excluding costs which fall outside this service department's budget – e.g. building lifecycle costs and leasing costs) as per the approved Full Business Case for the redevelopment of Alexander Stadium.

8.4.2 The Preferred Option (Option 3), includes the operation of the redeveloped Alexander Stadium, and introduces the possible provision of facilities such as:

- A redesigned park landscape with new café and visitors centre
- Additional free to use play structures and interactive pathways
- Concessions and a cycle hub with associated cycle routes; and
- A new wet and dry leisure centre along with a reconfigured GMAC facility.

8.4.3 The comparative Net Costs, including associated financing costs for the below facilities is £2.072m, which whilst highlights an increased NET position of £0.382m compared to the projected costs identified as a part of the Stadium FBC as approved by Cabinet in June 2019, is still within the current net budget for the Stadium and also provides the Council with a new sustainable leisure offer for the area for the next 25 – 30 years. This is summarised in the table overleaf.

All £'000	Legacy Estimate	Legacy OBC Estimate
Income – Existing Stadium	-318	11
Income – Other sources	-	-
Income – Additional	-515	-2,140
<b>Total Income</b>	<b>-833</b>	<b>-2,129</b>
Employee Costs	705	1,482
Premises Costs	1,349	1,658
Transport & Moveable Plant		0
Supplies & Services	58	444
Financing Costs	411	617
<b>Net Costs</b>	<b>1,690</b>	<b>2,072</b>
<b>Costs not included in existing budgets:</b>		
Equipment leasing	92	92
Lifecycle Replacement Fund contributions	554	632
Revenue Contingency	42	185
Beeches Revenue Saving		
<b>Gross Legacy Cost</b>	<b>2,378</b>	<b>2,981</b>
Beeches Revenue Saving	0	-121
<b>Net Legacy Cost</b>	<b>2,378</b>	<b>2,860</b>

8.4.4 Other income streams being reviewed on an ongoing basis to minimise the NET increase and provide additional offers on the site. These include:

- Additional tenants and users of the site;
- Hosting additional new legacy events; and
- Wider Perry Barr regeneration scheme and synergies.

8.4.5 As part of the development of the Outline Business Case for the Legacy phase of the project, capital costs, funding and net operating budgets have been established for the scope of works. A 20-year financial model has been prepared setting out the capital and revenue cashflows, optimism bias (as required by HM Treasury) with the preferred option generating a Net Present Value (NPV) of £43.123 million. The table below sets out the calculation of these benefits.

	Option 1	Option 2	Option 3
Net Construction in Person Years	0	66	331
Net Operational Jobs	4	16	22
Gross Added Value (5 Years Discounted)	£416,970	£1,667,878	£2,241,211
Net Additional Housing Expenditure (Annual)	£38,514	£154,055	£207,011
Marginal Leisure Wellbeing Benefits (Lifetime)	£880,187	£9,072,610	£16,241,232
Marginal Health Benefits (Lifetime)	£1,366,750	£14,087,904	£25,219,304
Council Tax Income (Net)	£0	£0	£0
Total Benefits	£2,663,907	£24,828,392	£43,701,747
Net Present Value (NPV) Cash	£30,210,135	£31,131,236	£43,121,941
Benefit per Cost	£0.09	£0.80	£1.01

8.4.6 The table above identifies that Option 3 (development of the stadium, park and a new leisure facility) leverages substantially more economic and social benefits than the other shortlisted options. Under Option 3, for every £1 of cost, as well as providing high quality facilities for the community, it delivers £1 of economic and social value / benefit to the community through spending in the local community, health benefits, leisure and well-being benefits.

## 8.5 Procurement Implications (if required)

8.5.1 The procurement strategy for any services and works to support the project will be subject to subsequent reports and will be in accordance with the Constitution and the Procurement Governance Arrangements.

## 8.5.2 Human Resources Implications (if required)

8.5.3 Should an option be taken forward which includes the closure of Beeches Pool and Leisure Centre, existing staff would be transferred to the new leisure management operator under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE regulations).

8.5.4 The project delivery, procurement activity and the subsequent contract management of the works will be undertaken by Council staff and external support.

## 8.6 Public Sector Equality Duty

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

## 9 Summary and Conclusion

9.1.1 A comprehensive Outline Business Case has been developed to understand the most suitable option to be delivered under the Legacy Plan which addresses the spending objectives of the project and also provides substantial social and economic value through investment. The preferred option is the one that provides the optimum balance between the capital costs, net operating costs and against the social and economic value impact. The Preferred Option provides:

- The best overall evaluation score;
- A comprehensive solution for a swimming pool and fitness facility that has reached the end of its economic life;
- Inward public investment into the community of £26 million capital expenditure;
- Demand-led facilities;
- Creation of varied and interesting facilities that will encourage the community to want to engage and participate;

- Bringing back into use a park with a visitor centre, linkages with Perry Reservoir and the canal system, and
- The best cost-benefit return.

9.1.2 With the marginal investment of just under £500,000 per annum, from the current anticipated cost of the Stadium post-Games, this provides an additional economic and social value of just over £40 million for the public sector. Setting aside financial implications, this legacy will change lives, change behaviours and change the local community for the better.

## **10 Background Documents**

- Financial models by FMG Consulting Ltd;
- CG Legacy Works – Order of Cost Estimate dated 18<sup>th</sup> December 2019 by Mace Limited.

## **11 Appendices**

Appendix 1 Outline Business Case

Appendix 2 Risk Register

Appendix 3 A - Equality Act 2010

Appendix 3B - EIA