

**TITLE OF REPORT:** Gateshead International Stadium – Options appraisal

**REPORT OF:** Alice Wiseman, Strategic Director, Public Health and Wellbeing  
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### **Purpose of the report**

1. This report seeks Cabinet approval to progress the Options Appraisal for Gateshead International Stadium (GIS) by taking forward the proposal recommended in paragraph 7-9 below.

### **Background**

2. On the 25th of October 2022, Cabinet (minute number C60) approved:
  - a. That consideration of the future operating model for the Gateshead International Stadium should be undertaken separately to that of the Council's wider leisure centre offer, and that it should take the form of a detailed options review followed by a report to Cabinet identifying potential options for the future use of the site and making recommendations for further action.
  - b. To approve the commencement of a procurement process to identify and contract with a service provider partner to manage the council's leisure centres and swimming pools under a services contract.
  - c. To commence a comprehensive public and employee consultation process to both understand the impact of any leisure centre closures and influence the final evaluation of which of them should remain open, and then to receive a report setting out proposals for a reduction in the overall size of the Council's leisure centres offer.
3. Subsequently, on the 24th of January 2023, Cabinet approved (minute number C97):
  - a. the commencement of the Options Review on GIS, and

- b. to receive the further report in July 2023.
4. This report provides an update of the progress made to date and sets out a proposal to progress the Options Appraisal.

### **Scope, Vision, and Objectives**

5. The scope of this report is focused on the future service delivery options for GIS. Whilst GIS is managed within the organisational structure of Leisure Services, it has a wider and significantly different offer to the other facilities in the Leisure Services portfolio. Specifically, as it was built for international athletics events, it provides its key tenants with facilities that both accommodate spectators and enable their own professional sports and educational offers. This is the GIS's unique selling point (USP). These facilities supplement but are separate from GIS's own leisure centre health and fitness provision.

### **Options Appraisal – Work and findings to date**

6. The council has appointed FMG Consulting to provide specialist support in the process and consider/assess the financial ability of achieving the desired outcome of net zero budget (no financial subsidy from Gateshead Council). To date, the analysis has identified seven factors which will impact on the options for future use and financial sustainability of the site:
- a. The site has a broad range of users including, athletics, health and fitness, sports clubs, education, professional sport and charitable organisations. A list of users is included in Appendix 1. Further deep dive work is required to support the development of a fully informed integrated assessment to understand the potential impact of the various options upon facility users, community groups and, as a statutory requirement, those protected under the Equalities Act.
  - b. The site contains significant amounts of contained sub-surface contamination from its industrial past. The containment infrastructure is currently managed by the Council and will require continuing monitoring and management to remain effective and to enable the Council to meet its statutory obligations as the local regulator of soil contamination.
  - c. Any future use of the site as a venue for international athletics events is unlikely due to the significant investment required to upgrade it to meet the current requirements for such activities. Such investment has already been made in facilities in other parts of the country (notably in Birmingham).

- d. Several formal long-term occupation arrangements (lease and licenses) are in place with key facility users, such as Gateshead College and Gateshead Football Club, as well as more informal use arrangements.
- e. The NNDR business rates (£0.490m for 2023/24) are a significant cost on the site. The Council retains 49% of this in the Collection fund.
- f. The site has been developed during the last decade through significant external grant-facilitated investment. These grants are subject to conditions and title restrictions which include clawback options when specific use conditions (such as public access) cease to be met.
- g. The site is designated as sports provision within the local planning policy framework. The future strategic need for such facilities and the role of GIS as part of the Boroughwide provision is currently being assessed through a refresh of the Gateshead Built Sports Facility Strategy and Gateshead Playing Pitch Strategy, of which the outcomes will be reported at a later date. The site is also part of the Gateshead Strategic Green Infrastructure network with sections of the site within the wildlife corridor and as such has biodiversity and geodiversity implications to consider in any future role of the site.

Given the above analysis, achieving net zero budget by 1<sup>st</sup> April 2024 may be unachievable, although it may be possible, through consultation and negotiation to significantly reduce the operating budget and retain the current management arrangements. There may also be an opportunity to leverage rental income from the site to support the operating costs.

## **Proposal**

- 7. This report proposes that the Council should commence:
  - a) Consultation on the future use and purpose of the site
  - b) Collaboration with Gateshead College to negotiate and then deliver a new operating model for GIS
  - c) a market testing exercise to understand if private sector resource could be realised to reimagine/repurpose the site with a view to complementing and enhancing its education and sport offer.
- 8. These should commence on 1 July 2023 for a period of 90 days. After completion a further report detailing the outcome of these measures be submitted to Cabinet for its consideration.

## **Recommendation**

9. In accordance with Paragraph 8 above it is recommended that Cabinet:

- (i) Approves the commencement of a consultation process on the use of the site in the immediate future, in particular to repurpose GIS so that its primary use is for the purposes of education and sport.
- (ii) Agrees that the Council will collaborate with Gateshead College to negotiate and then deliver a new operating model for GIS.
- (iii) Approves further market investigation into a longer-term solution to put GIS (excluding sports pitches) to the open market to complement and enhance the education and sport offer
- (iv) Agrees to receive a further report in November 2023 following the consultation process and open market exercise.

10. This recommendations are made for the following reasons:

- i. To enable the development of a proposal which achieves the cost neutral objective to the Council.
- ii. To ensure that any future recommendations for the use of the GIS are made after seeking appropriate information about their potential impact upon the facility users, community groups and those users who are protected under the Equality Act.

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### Policy context and background

1. The Council is very proud of its sport and leisure offer and has built up a reputation for being a leader in this area with the GIS being a key iconic facility hosting several major sporting events over the years such as the World Transplant Games, the European Athletics Team Championships and Diamond League events as well as music concerts.
2. Due to the ongoing financial sustainability challenges faced by the public sector and the amount of Council revenue and capital funding required to maintain the same level of provision, the continuation of this non-statutory service is no longer financially viable. The Council's financial plan (Medium Term Financial Strategy) has identified a funding gap of £55M over the next 5 years.
3. On the 25<sup>th</sup> of October 2022, Cabinet agreed to the consideration of the future operating model for the GIS being undertaken separately to that for the leisure centres and that the future of the GIS will be the subject of a distinct review and future report to Cabinet.
4. Unlike the rest of the Leisure portfolio, the GIS has formal third-party license arrangements with Gateshead Football Club and Gateshead College in place alongside its public use as an international sporting arena and for other sporting events. A wider community sport and leisure offer is provided for athletics clubs, football clubs and for the public use of the athletics track, sports hall, artificial turf pitches and gym. The gym also includes a specialist 'Speedflex' studio available to gym users. The full facility mix includes;
  - 100 station health & fitness suite, plus strength & conditioning Studio (120m<sup>2</sup>)
  - Speedflex Fitness Studio
  - 8 lane floodlit synthetic athletics track with separate throws training area
  - Conference suite (1 x Single room or 5 x Classrooms)
  - Floodlit full-size grass football pitch (inside running track – home of Gateshead FC)
  - c.11000 capacity stadium with turnstile access points and supporting concession serveries.
  - Café/Kitchen area
  - 2 grass pitches (football and rugby union)
  - 2 full-size floodlit 3G Artificial Grass Pitches (AGPs)
  - Full-size floodlit sand based AGP

- 8 court multi use sports hall
- Supporting changing facilities including steam room, first aid, physio room facilities,
- Car Parking facilities

## **Financial position**

5. For the financial year 2022/23 the revenue outturn is £0.682m against an agreed budget of £0.586m, an overspend of £0.096m. Council has agreed a revenue budget for 2023/24 of £0.646 million. In addition, there is a budget within the Environment and Fleet Service for grounds maintenance at the site of £0.100m.
6. Due to the very large size, condition, and age of the GIS, continuous investment in the site is required to ensure it remains fit for purpose and that the stadium arena in particular continues to comply with its General Safety Certificate.
7. The Council anticipates projected costs for essential works, lifecycle renovation of the fabric of the buildings and repair/replacement of key infrastructure (including replacement of all artificial turf pitches and the running track). It is estimated that, to maintain the building, the Council will be required to make an investment of approximately £4million within the next 10 years (2032/33). This figure excludes annual expenditure on cyclical and responsive repairs and maintenance, which are currently financed through the annual revenue resource referenced in para 5 above. These figures are believed to be reliable as an estimate, but their continued accuracy is necessarily dependent on the quality of the continuing annual maintenance programme. Any accurate assessment of future building repair and maintenance costs for GIS would need to be subject to continuous review.
8. Were the GIS estimated annual operating costs of circa £806,000 to be added to the projected essential maintenance costs of £4million, then the overall estimated cost of retaining the GIS over the next 10 years would be a minimum of £12million. There is no current funding source that the Council may access to meet this potential liability. It follows that, were the status quo allowed to continue, then the Council would experience financial difficulties in retaining any offer at the GIS.

## **Consultation**

9. All Cabinet Members have been consulted on this proposal.
10. Employee consultation has been ongoing throughout wider Leisure review to ensure they are kept up to date with progress.

11. As part of the consultation process engagement will also be undertaken with the following key stakeholders/user groups;

- i. Current anchor tenants (such as Gateshead Football Club and Gateshead College) and others with regular bookings such as the Military Preparation Training College, Inspired Support, Little Movers.
- ii. Local sports clubs including, but not exclusively, athletics, netball and football clubs.
- iii. Community Football Clubs who hold service level agreements with the Council for use of the 3G artificial turf pitches. A condition of previous grant funding from the Football Foundation
- iv. Gym users
- v. Other users of the site such as Northumbria and Newcastle University
- vi. Previous grant funders of the site where title restrictions exist which affects future use of the site including Sport England and the Football Foundation.
- vii. Event organisers who regularly use the site on an annual basis.
- viii. Schools and the Gateshead School Sport Partnership.
- ix. Other individuals/groups not listed above will be engaged through the process. This could include relevant National Governing Bodies of Sport.
- x. The local community and voluntary and community sector.

12. During the process, further data and information regarding the individuals and groups who utilise the site will be gathered to ensure that the impact of any future decision is known.

### **Alternative Options**

13. Cabinet may decide not to approve these recommendations. This would require it then to either make no decisions at all in relation to GIS or alternatively to seek to implement options without a full understanding of their public impact or the potential role that may be played by the private sector in the future use of the site. Such decisions are unlikely to be optimal, and may be vulnerable to legal challenge.

### **Implications of Recommended Option**

14. **Resources:**

#### **a) Financial Implications**

The Strategic Director Resources and Digital confirms that there are no immediate financial implications as a direct result of this report. Any future recommendations devised following the consultation process will be considered in a further report.

The site has been subject to significant investment from external funders over the last 20 years and this will be considered throughout the process.

## **b) Legal Implications**

This report summarises the work undertaken within the Council to provide detailed options for Cabinet to enable it to manage the Council's financial and legal obligations to the GIS site and to its users. The matrix of legal considerations here is complex, and includes the following:

- i. The key site users who hold licenses. These are the College and the Football Club. Although licenses are not tenancies, they do confer rights of occupation. Termination or variation of their terms should be by agreement, or the Council may incur liability for breach of contract.
- ii. Community rights may accrue in respect of any proposals to seek a community asset transfer. Disposals of the land or significant changes in its use may defeat these rights without their having had appropriate consideration.
- iii. Former investors in the facility have imposed conditions on its use or disposal. These conditions will need to be fully understood and quantified in relation to potential recoupment. It is usually the case that a negotiated approach to such matters can result in an agreed transfer of function without the need for recoupment. It would be prudent for the Council to fully engage in this process at the earliest stage.
- iv. Public use by individuals or groups who may seek to assert rights or expectations in relation to the site based on past use. Consultation with such individuals is an accepted principle of public law.
- v. The status of the site as a licensed contamination facility requires the Council to balance its duties as the statutory regulator with its aspirations as the site owner. Such matters are best undertaken in a transparent and formal process. Future use of the site will need to include careful arrangements to ensure that contaminants remain safely confined and soil drainage systems remain functional.
- vi. Consideration of future disposals of the site will necessarily involve analysis of the appropriate procedure, and whether procurement obligations may be incurred. Early market engagement is key to understanding how this can best be dealt with.

It follows from these considerations that Legal supports the recommendation to consult and to seek further information from potential market operators who may be interested in the site. It also considers that the Council's compliance with its obligations to the key users of the site should be of paramount consideration, given the legal rights conferred by their licenses.

## **c) Human Resources Implications**

The employee establishment (10.74FTE) for GIS, to date, has been considered as part of the wider Leisure Service review. It is proposed within the wider



Leisure Service Review that, following implementation, all posts based with GIS will hold a GIS contract only. Full consultation has been undertaken with staff and Trade Unions regarding this proposal. In addition to this there are 3.4FTE grounds maintenance employees allocated to the GIS.

**d) Property Implications**

There are no implications arising as a result of this report. Any future recommendations devised as a result of the process will be considered in a further report.

**15. Risk Management Implications** – There are no implications arising from this recommendation. Any future recommendations devised as a result of the process will be considered in a further report.

**16. Equality and Diversity Implications** – There are no implications arising from this recommendation. Any future recommendations devised as a result of the process will be considered in a further report.

**17. Crime and Disorder Implications** – There are no implications arising from this recommendation. Any future recommendations devised as a result of the process will be considered in a further report for consideration.

**18. Health Implications** – There are no implications arising from this recommendation. Any future recommendations devised as a result of the process will be considered in a further report for consideration.

**19. Climate Emergency & Sustainability Implications** – There are no implications arising from this recommendation. Any future recommendations devised as a result of the process will be considered in a further report for consideration.

**20. Human Rights Implications** – There are no implications arising from this recommendation. Any future recommendations devised as a result of the process will be considered in a further report for consideration.

**21. Ward Implications** – Whilst the Gateshead International Stadium is based within the Felling Ward, the facility is of borough wide importance. Any future recommendations devised as a result of the process will be considered in a further report.

**22. Background Information** – None.