

TITLE OF REPORT: Gateshead International Stadium – Options Appraisal Update

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Purpose of the report

1. This report provides an update on the progress made in the options appraisal for the Gateshead International Stadium (GIS) and seeks Cabinet approval to progress further by taking the measures that are recommended in paragraph 9.

Background

2. On the 24 January 2023, Cabinet approved (minute number C97):
 - i. the commencement of the Options Review on GIS, and
 - ii. to receive the further report (Paragraph 1.2 above) in July 2023
3. Subsequently, on 20 June 2023, Cabinet approved (minute number C18):
 - i. the commencement of a consultation process on the following proposals for the use of the site in the immediate future:
 - a. Repurpose GIS so that its primary use is for the purposes of education and sport
 - b. Collaborate with Gateshead College to negotiate and then deliver a new operating model for GIS;
 - ii. 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; and
 - iii. to receive a further report in November 2023.
4. This report provides an account of the progress made in the options appraisal since June 2023 and makes recommendations for undertaking the additional steps that are considered necessary to complete the appraisal process.

Scope, Vision, and Objectives

5. The scope of this report is focused on the future service delivery options for the GIS. Cabinet should note that whilst the 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.

The vision and the objective are to find an option (or several connected options) for the future use of the GIS for education and sport and which at the same time reduces its financial dependence on the Council to achieve net zero site costs.

Options Appraisal – ongoing work and updates

6. Following Cabinet approval in June 2023, there has been progress across several workstreams:
 - i. A stakeholder engagement process has been undertaken starting on 5th July 2023 and closing on 2nd October 2023. The main purpose of that engagement was to understand how stakeholders currently use GIS and what they value about GIS, whether they agreed with the future purpose of the site, and any suggestions on future sustainability of GIS. An overview of the responses received and key themes is at appendix 1 paragraph 12, and the full stakeholder engagement report is at appendix 2.
 - ii. Proposals for consideration by Gateshead College on a future operating model for GIS are being progressed by the Council and will be discussed with and considered by the College in due course. These discussions are commercially confidential and will be reported to Cabinet at a later date.
 - iii. Work is underway to progress the 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. This task is being led by FMG Consulting with the support of Savills.
7. Given the complexities of the options appraisal and the need to thoroughly explore all possible options, achieving net zero budget by 1st April 2024 may be unachievable. However, through consultation and negotiation, it may be possible 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 help support the operating costs.

Proposal

8. This report proposes that the Council should:
 - i. Include GIS within the agreed procurement process to identify and contract with an operator to manage the Council's leisure centres and swimming pools under a services contract. GIS would be included alongside the 3 leisure centres as a separate lot with the 3 leisure centres only forming an alternative lot. The benefits of seeking an offer through the procurement process include the provision of consistent branding, additional economies of scale and the streamlining of contract management arrangements across the council owned facilities. A lot that contains GIS may also be more attractive to the market. The Council will be under no obligation to award a contract that includes the GIS as it could award the contract based on the lot that includes the 3 leisure centres only, however if GIS is not included as an option in the procurement process from the outset, it cannot be added later.

Recommendation

9. It is recommended that Cabinet:

- i. Notes the outcome of the stakeholder consultation process at appendix 1 paragraph 12 and appendix 2.
- ii. Notes that negotiations are currently underway with Gateshead College.
- iii. Notes that 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 is ongoing.
- iv. Approves the inclusion of GIS within the agreed procurement process for the operation of the Council's Leisure Centres.
- v. Agrees to receive a further report in June 2024.

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 following a thorough options appraisal process to identify an approach which achieves a net zero budget whilst considering the impact this may have upon the facility users, community groups and those users who are protected under the Equality Act.

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 £50M over the next 5 years.
3. On the 25 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 a 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 (120m²)
 - 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 servery's.
 - 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 was £0.682m against an agreed budget of £0.586m, an overspend of £0.096m. Council has agreed a revenue budget for 2023/24 of £0.704 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 £0.704million 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 £11million. 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 options appraisal, engagement has been undertaken with the following key stakeholders:
 - 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. Other users of the site such as Northumbria and Newcastle University
 - v. Event organisers who regularly use the site on an annual basis.
 - vi. Schools and the Gateshead School Sport Partnership.
 - vii. Previous grant funders of the site where title restrictions exist which affects future use of the site including Sport England and the Football Foundation.
 - viii. Other individuals/groups not listed above will be engaged through the process. This could include relevant National Governing Bodies of Sport.
 - ix. Voluntary and community sector
12. A stakeholder engagement process has been undertaken starting on 5th July 2023 and closing on 2nd October 2023. The purpose of that engagement was to:
 - understand how stakeholders currently use GIS
 - understand what they value most about GIS
 - determine whether they agreed with the future purpose of the site
 - seek any suggestions on future sustainability of GIS

The full stakeholder engagement report is at appendix 2. The stakeholder engagement had two parts. An overview of the responses and key findings:

1. Online Survey:

- 391 responses to the main survey.
- 42% of survey respondents stated they were a Gateshead resident. From analysis of the postcodes provided; 45% are in Gateshead, 48% are outside of Gateshead and 7% did not provide a full postcode.
- 51% of respondents understood but disagreed with the proposal to repurpose GIS so that its primary use is for the purposes of education and sport. 19% did not understand the proposal and disagreed. 25% understood the proposal and agreed with it.
- Respondents could highlight multiple facilities & activities used at GIS. The top three responses were running track (65%), indoor running track (31%) and athletics throws fields (31%).
- 77% of respondents viewed services as value for money at GIS. 29% stated that they were willing to pay more for services, with 50% stating that they may be willing to pay more.
- There is clear evidence of local community sports clubs using GIS for a range of sport and activities.

2. Face-to-face stakeholder engagement:

- 8 individual meetings organised; 2 group sessions organised; 5 members of the Football Steering Group contributed views.
- Views gained from representatives of both adult and junior sports clubs. Junior sports included football, netball and athletics and Gateshead school sports partnership. Adult sports included university sports clubs, athletics, netball, and football.
- Of the 20 clubs involved in the engagement; 11 were Gateshead or local organisations, 7 were from the northeast region, 2 were national sports organisations.
- Stakeholders highlighted that GIS is used by more than just local communities and is a valued regional venue for many sports and activities which users are willing to travel to. It was also stated that this is a unique asset in the region.
- Stakeholders raised the importance of having a double-court indoor sports hall and highlighted that GIS is the only facility in the area which offers this. This facility was highlighted as being of importance for several sports.
- There is significant demand for 3G / five-a-side / football pitches, and many stakeholders involved in football raised that they would like to have increased access to the facilities at GIS. It was also highlighted that there is a shortage of playing pitches across the borough.

13. Engagement has not been undertaken with the following user groups, due to there being no specific proposal to consult on at this time:

- i. Go Gateshead members (Gym users)
- ii. The local community

Further consultation will be undertaken when there is a specific proposal in relation to GIS.

Alternative Options

14. 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.

Legal considerations

15. 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. 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.
 - iii. 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.
 - iv. 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.

Implications of Recommended Option

16. 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. Human Resources Implications

The employee establishment (11.63FTE) for the GIS is site specific and not part of the wider Leisure Service establishment. In addition to this there are 2.31FTE grounds maintenance employees allocated to the GIS.

If GIS were to be included in a future services contract through procurement, then staff would be subject to the TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006) process.

Engagement and formal consultation with employees and their Trade Union representatives remain a key part in the process as they have stated that the extended period of GIS review continues to heighten the stress and anxiety levels of staff and has also had a significant impact on low morale.

c. 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.

17. **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.
18. **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. There was an equality analysis of respondents who participated in the survey, and this is included within the stakeholder engagement report at appendix 2.
19. **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.
20. **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.
21. **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.
22. **Climate Emergency and 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.
23. **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.
24. **Background Information** – None.