

<b>Title:</b> Colston Hall Phase II	
<b>Ward:</b> Central	<b>Cabinet lead:</b> Cllr Estella Tincknell
<b>Author:</b> Alistair Reid and Denise Murray	<b>Job title:</b> Service Director of Economy & Director of Finance

<b>Revenue Cost:</b> The Council currently provides £1.026m per annum revenue funding to Bristol Music Trust (BMT). It is currently anticipated that this will be reduced by £500,000 per annum from 20/21 onwards.		<b>Source of Revenue Funding:</b> General fund	
<b>Capital Cost:</b> <ul style="list-style-type: none"> <li>£10m as per the existing capital programme;</li> <li>Provision of a short term cash-flow facility of up to £18.3m; subject to BMT securing external funding ;</li> <li>As the Freeholder - underwrite the overall redevelopment project which has an indicative cost envelope of £48.8m; and</li> <li>c. £24.9m contingency which should be applied for optimism bias (see details below).</li> </ul> <p>This would give the council an additional overall risk exposure of £43.2m. (£18.3m + £24.9m)</p>		<b>Source of Capital Funding:</b> <p>The additional pressure on the Capital Programme would result in a need to re-phase or reprioritise the existing capital programme; where additional borrowing is required it will be transferred to BMT in the form of a loan; terms of the interest will be agreed.</p>	
<b>One off</b> <input checked="" type="checkbox"/>		<b>Saving</b> <input type="checkbox"/>	
<b>Ongoing</b> <input checked="" type="checkbox"/>		<b>Income generation</b> <input type="checkbox"/>	
<b>Finance narrative:</b> <p>Colston Hall is a council owned asset and as the freeholder of Colston Hall, the Council is responsible for leading and delivering the Phase II redevelopment project, with indicative project costs of c. £48.8m.</p> <p>Bristol Music Trust (BMT) is responsible for fund raising for the overall project. To date, BMT has identified a potential £30.5m (63%) of funding commitments / pledges from public and private sector. This includes £10m from the Council, (which is earmarked in the approved Capital Programme and funded by prudential borrowing) and £10m bid to the Arts Council England (ACE) due to be submitted by BMT June 2017. With the current momentum BMT are confident that they can take the funding to c. £43.8m (90%) of the committed target required before work commences. However with BMT's charitable status, grant and funding bodies ultimately require the Council to be the Accountable body.</p> <p>In providing the assurance that will be sought for the submission of the ACE bid and forthcoming construction contract, the Council will be required to provide cash-flow support pending receipt and identification of further external funding, and to underwrite the overall costs of the project.</p> <p><b>Financial Impact:</b></p> <p>The indicative cost for Phase II redevelopment is £48.8m; this is a complex non-standard project and with an estimate at RIBA stage 3, good project management would recommend an adjustment be made for optimism bias. This reflects the fact that commonly in the public sector, project appraisers have the tendency to be over optimistic</p>			

about the benefits that will be delivered, duration and costs; and for a non- standard project at this stage an explicit adjustments of approx. 51% should be made to the project costs estimates. Optimism bias risk must be reviewed, managed and reduced downwards before contract award.

Should the Council support this project, the fund raising profile indicates the need to forward fund the project and bridge the potential funding gap up to a value of £18.3m. Following the optimism bias adjustment of £24.9m (which would need to be closely managed); this could increase the council's exposure to £43.2m.

Indicative cash flow below is provided for illustrative purposes only. It takes into account construction phasing and the timing of income, based on BMT's current funding profile. This indicates the need to forward fund the project from 2018/19 and create an Optimism Bias contingency.

	16/17	17/18	18/19	19/20	21/22	Total
	£000	£000	£000	£000	£000	£000
Construction profile	1,982	4,682	22,583	19,553	0	48,800
BMT Funding Identified to Date	(1,982)	(8,341)	(6,183)	(10,099)	(3,875)	(30,480)
Balance Based on BMT current estimates	0	(3,659)	16,400	9,453	(3,875)	18,320
Optimism Bias Adjustment	24,888					

The Council has an approved Capital Programme of c. £900m and an outstanding revenue budget gap of c. £42m to 2022. To minimise further pressure on the capital and /or revenue funds the following approach is recommended:

- the Capital Programme is re-profiled and reprioritised to earmark short term gap funding; any drawdown required by BMT in excess of the £10m already profiled in the programme would be provided in the form of a short term loan; terms of interest will be agreed with the Director of Finance (Section 151 Officer);
- the Council enters into a conditional agreement that contractually obliges BMT to continue fundraising until all necessary funds have been obtained and that further guarantees that all necessary funds will be transferred to the Council as senior debt to the project; and
- officers will work closely with BMT to re-evaluate the business plan and the operational revenue funding arrangements (currently at c£1.026m p.a. reducing by £500,000 from 2020/21 onwards) to ensure the loan interest to be applied can be contained within an updated BMT business plan and ensure resilience can be achieved.

Should this proposal be agreed; the details of the capital programme realignment, short term forward funding and interest rates, will be incorporated in the report that will be presented to Cabinet seeking the award of the construction contract.

If the proposal is not supported the Council would need to consider and plan mitigations to the following risks:

- essential backlog maintenance c.£3.6m;
- claw back risk of up to £7.4m ACE grant;
- withdrawal of up to £20.5m of potential external funding pledges for Colston Hall;
- how freehold / lessor obligations and ongoing lifecycle maintenance will be achieved; and
- any compensation that may be payable by the Council to BMT under the Entrustment Agreement.

In the light of the increased financial risks, the council reviewed the options available and concluded that progressing with the project was the best option to ensure the Council's asset can be redeveloped and intended programme of wider cultural outcomes are delivered across the City.

The project would need to be closely managed, to ensure the risks do not materialise and the project can be delivered on time, on budget and a sustainable and resilient position achieved for all parties.

### **Summary of issue / proposal:**

Bristol Music Trust (BMT) an Arm's Length Trust was established to manage events at Colston Hall and under a lease agreement BMT are responsible for the day to day maintenance of the hall. BMT are able to generate additional sources of income to cover these costs and as Landlord, the Council continues to have an obligation to maintain the structure and main services of the existing (old) building.

A detailed design has been prepared, for the redevelopment with an indicative cost of £48.8m. The project is reliant on a mix of funding sources, public and private and since February 2015 BMT has been raising funds to achieve the capital required. At this stage in the project BMT still have some way to go in achieving their target.

BMT are on the verge of submitting a final bid for £10m of funding to the Arts Council England in June 2017, having been successful in a first round application to support the project through design stage. As the freeholder of the building and accountable body for BMT it will be necessary to underwrite the grant and as such the overarching project. This will leverage additional grant and external funding but simultaneously increase the risks to which the Council is exposed. In consideration of the options available to the Council it is considered that this provides the best value option for the development of this Council owned asset.

This report seeks endorsement of the Bristol Music Trust application for Arts Council funding of £10m and to continue to support the Colston Hall Phase II redevelopment project, which aims to transform the Hall into a fit for purpose music venue, enhance the Cultural offer of the City and enable a long term sustainable and resilient strategy to be developed.

### **Summary of proposal**

#### Background

Colston Hall has been Bristol's largest live music and arts venue for 150 years, playing an important part of the city's cultural life which is a key element of the region's growing economy. Colston Hall is a Bristol City Council wholly owned asset. It is a large Grade 2 listed building, in a complex / constrained site. It has a capacity of 2,075, hosting a programme of pop, jazz, world and classical music as well as stand-up comedy but has suffered from a lack of maintenance and modernisation with no major refurbishment to the existing building for the last 60 years. It is in urgent need of development / major refurbishment if it is to continue to be part of the cultural offer of Bristol or release its potential asset value.

In 2003 Bristol City Council agreed to support the redevelopment of Colston Hall and a number of measures have been taken to date to deliver that aspiration.

Phase I - delivered a £20.3m new foyer building in September 2009 and is considered a success resulting in more shows, larger audiences and increased income. The Arts Council England ('ACE') contributed £7m to the project with a condition that the remaining development work is completed or full claw back could apply.

Bristol Music Trust (BMT) an Arm's Length Trust was established and in 2011 the Council entered into a lease with BMT at a peppercorn rent for 25 years (March 2036), to manage events at Colston Hall. Under the lease agreement BMT are responsible for the repair and maintenance of the new foyer building, day to day maintenance and are able to generate additional sources of income to cover these costs.

The Council retained the freehold of the buildings and as landlord, the Council continues to have an obligation to maintain the structure and main services of the existing (old) building and as agreed in the lease the Council will

lead and be responsible for delivering Colston Hall Phase II. Repairs and maintenance have been placed on hold in view of the redevelopment and the backlog maintenance liability is currently estimated to be in the region of £3.6m. Compensation is payable by the Council if it fails to deliver the obligations under the agreement or BMT are unable to deliver its obligations as a result of the Council's actions.

Phase II - aims to transform Colston Hall into a modern, sustainable world class music venue and enhance the cultural offer of the City at an indicative project cost of £48.8m. The Council has committed £10m in the capital programme to its delivery and BMT have developed a funding strategy to support the delivery of the residual £38.8m of the project costs.

The funding strategy is reliant on a mix of funding sources, public and private and £30.8m (approximately 63% of the target) inclusive of BCC's £10m commitment as outlined in the Capital Programme, has been pledged but not fully secured. With the current momentum BMT are confident that they can take the funding to c£43.8m (90%) of the committed target required before work commences. However with BMT's charitable status, many grant and funding bodies will ultimately require the Council to be the Accountable body and commit to bridging any resulting funding gap.

BMT are on the verge of submitting a final bid for £10m of funding to the ACE (June 2017), having been successful in a first round application to support the project through design stage. If the bid does not progress other connected bid commitments such as £5m Treasury grant confirmed in the Autumn Spending Review could be at risks.

***Assurance will be required regarding the availability of resources to complete the project and enter into the next stage of construction. The Council is required to provide cash-flow support pending receipt and identification of further external funding and in entering into the construction contract ultimately underwrite the costs of the project.***

#### **What does this mean for the Council?**

The Council recognises the economic and cultural benefits for the City of such a historic and renowned public asset; however in such a challenging financial climate the Council is committed to obtaining the optimum value for the public purse.

Significant investment is required if the benefits are to be realised from this asset. The main deficiencies with the existing building are extensive and impact on the current value. These include:

- Poor condition of existing buildings, including dry rot and leaking roofs;
- Asbestos in need of treatment/removal;
- Underemployed potential of cellars and ground floor areas;
- Tight uncomfortable seating;
- Inconveniently, shaped and insufficiently large performance platform;
- Hall 2 lacking in audience or performance facilities;
- No disabled access for performers;
- Archaic conditions for performers and crew;
- Difficult to get-in equipment, limiting ability to book certain shows;
- Inadequate noise control within auditoria;
- Out-dated and unsatisfactory heating and ventilation plant;
- Poor environmental performance wasting money and energy;
- Poor acoustics for amplified events;
- Overall acoustic conditions inferior to modern comparator venues; and
- Inflexible seating arrangements hampering turnaround between events.

The works if progressed will enable the conversion of Bristol's largest concert hall into a modern, sustainable venue,

enhance the cultural offer of the City and enable Colston Hall to maximise the income potential of the building, whilst supporting wider economic benefits, attracting events that will draw people in from the sub-regional catchment areas.

The Council has reviewed the indicative project costs and funding cash flow profile. The proposed approach would create an additional short term capital funding pressure between £5m and £18.3m. This is prior to any optimism bias being applied to the project cost assumptions. Based on 51% optimum bias for a complex, non-standard project at RIBA Stage 3, would require a further contingency of c£24.9m. Optimism bias risk must be reviewed, managed and reduced downwards before contract award.

Should the project be progressed; as the Accountable Body, the Council will in essence provide a written undertaking for the project and underwrite the gap in funding highlighted above (including liability for any additional cost increases that might occur during the delivery of the project); pending receipt of external funds.

A number of potential options have been reviewed; for example dispose of the asset; do nothing or continue with the redevelopment and in view of the details outlined in the earlier section of the report and the financial risks to which the Council would be exposed, it is proposed that the Council:

- endorse the bid to the Arts Council and as the accountable body be party to all third party grant funding conditions;
- procure a contractor to deliver Colston Hall Phase II;
- enter into a conditional agreement that contractually obliges BMT to continue fundraising until all necessary funds have been obtained and that further guarantees that all necessary funds will be transferred to the Council as senior debt to the project; and
- provide short term gap funding; and any drawdown required by BMT would be in the form of a loan; terms of the interest will be agreed with the Director of Finance (Section 151 Officer).

Following completion of the tender for construction, whereby greater granularity will be available regarding the indicative price and confirmation at that time of committed funding and pledges, further and more detailed analysis will be carried out to ascertain the funding gap and profiled cash-flow required. The Capital Programme at that point will need to be re-phased or reprioritise from 2018/19, in line with the new delivery profile and forward funding requirements.

It will be absolutely essential that the Council is proactive in managing project costs within the indicative funding envelope of £48.8m, minimises the need for drawdown from the optimism contingency, works closely with BMT to re-evaluate the business plan and to ensure that headroom is available in the business plan, should it be necessary to repay a loan facility.

The Council currently provides BMT with annual funding of £1.026m, this will need to be considered in this mix and an appropriate Service Level Agreement be established for the planned closure period (Spring/Summer 2018 –2020) which will enable any loan facility drawn down to be repaid.

There are significant risks associated with the Council's ongoing investment in Colston Hall which are set out at Appendix D and a summary of the background to the project is set out at Appendix A.

As part of the project the Council will be required to renegotiate the current lease arrangement to align with grant funding conditions. A minimum of 30years will be required with no break clause for the ACE and HLF grant funding conditions. The current lease has an option which allows the lease to be extended for up to 30years which if exercised should meet the funding conditions.

ACE has a charge on the freehold which would require the Council to seek their approval prior to a change in ownership.

BMT also have access to the Trenchard Street compound located next to the NCP Car Park on Trenchard Street to

the rear of Colston Hall. The compound is used as a compound for large vehicles servicing the various acts that perform in the hall. BMT also require a 30year lease on the Trenchard Street compound as the site is integral to facilitating the servicing of the hall. It is a feature of delivering the transport plan for the project. The Trenchard Street Compound is currently allocated as a housing site in the Local Plan. It is unlikely that the site would come forward for development in the foreseeable future due to site constraints.

#### **Recommendation(s):**

- To endorse the Bristol Music Trust application for Arts Council funding of £10m, to support refurbishment of Colston Hall and be involved in all third party grant funding applications, on the basis that redevelopment, with ACE support provides the best value option for the development of this Council owned asset.
- As the Accountable Body and freeholder of the building, in accordance with Arts Council requirements, underwrite the project. Pending receipt of further external funding, if required, to provide additional funding primarily through the option of a loan facility repaid via BMT's revenue resource.
- To note that if all funding falls away the Council is the funder of last resort which will impact upon the Council's capital programme.
- To authorise the Service Director Economy and the Director of Finance in consultation with the Cabinet member for Culture, to enter into a conditional agreement with BMT which will contractually oblige BMT to continue fundraising until all necessary funds have been obtained and that further guarantees that all necessary funds will be transferred to the Council as senior debt, so that the best economic and cultural outcomes can be achieved for the City.
- To authorise the Service Director Economy to appoint the original design team to develop the technical design for Colston Hall Phase II up to RIBA Stage 4.
- To authorise the Service Director Economy to undertake an OJEU compliant procurement process to procure a contractor to deliver Colston Hall Phase II.
- To note further Cabinet approval will be required to award and enter into a construction contract with the preferred contractor and appoint the original design team as required to deliver Colston Hall Phase II.
- To note the requirement for the Service Director Property to either; exercise the option to allow Bristol Music Trust to extend their existing lease to a minimum 30 year period or enter into a new lease agreements upon completion of the project for the buildings and for Trenchard Street Compound, should the Council enter into a construction contract with the preferred contractor.
- To note Officers will review the capital programme approved at full council to facilitate the possible funding needs and bring this back to Cabinet as and when a decision is made to enter into a construction contract.
- To note the Service Director Economy and the Director of Finance will review the business plan to ensure resilience.

**City Outcome:** Colston Hall Phase II will provide Bristol and the region with a world class music venue accessible to all. The Project will deliver the following Corporate Plan commitments:

Cultural City: Bristol will be a leading cultural city, making culture accessible to all.

Diversity: To improve access to and participation in the arts, sport and culture across the whole city.

Heritage: We will preserve and develop our cultural and historic environment and heritage.

Local Talent / Community Arts: Support the development of excellence within arts and culture in the city.

Arts Education: We will work to encourage and sustain a high level of musical and arts education across all communities in the city.

**Health Outcome summary:** Once redeveloped Colston Hall will be a world class music venue accessible to all, the building will achieve Bristol City Council's Environmental Access Standard Gold Charter of Best Practice for accessibility. The project will also deliver a Changing Places accessible public toilet facility

**Sustainability Outcome summary:** Once redeveloped Colston Hall will be more sustainable building achieving BREEAM Very Good

**Equalities Outcome summary:** Once redeveloped Colston Hall will be a world class music venue accessible to all, the building will achieve Bristol City Council's Environmental Access Standard Gold Charter of Best Practice for accessibility

**Impact / Involvement of partners:** BMT and ACE sit on the project board and have inputted into every stage of the project development thus far

**Consultation carried out:** All key stakeholders have been consulted on Colston Hall Phase II as part of the RIBA 3 design development including but not limited to;

- Bristol Music Trust
- Arts Council England
- Heritage England
- Planning
- Highways
- Christmas Steps Arts Quarter
- MP House of Commons
- Bristol Cultural Development Partnership
- The Victorian Society
- Twentieth Century Society

**Legal Issues:** The recommendations commit the Council to underwrite the Capital Project, against reimbursement from funds that have not been fully raised by BMT. The financial risk to the Council is being mitigated by BMT being contractually obliged to continue fundraising until all funds have been raised and to transfer funds to BCC. Further that a separate loan agreement may be entered in to should there be a gap between the funds raised and the total needed. There is a risk in proceeding with this option given that BMT does not have sufficient reserves to underwrite any shortfall or failure in fundraising. It should be noted that the Trustees are to hold no personal liability for the Colston Hall project.

The Project recommendations will see the Council enter in to the construction contract for the remaining works required at Colston Hall. This will entail regular payments to be made to the contractor until completion. Part of the necessary funds is available from BMT, the remainder will rely on fundraising - see comments above.

The Council could halt construction at any point should it consider that to be the most appropriate decision, but there would be substantial costs associated with termination of the construction contract.

**Legal Officer:** Eric Andrews and Nancy Rollason

DLT sign-off	SLT sign-off	Cabinet Member sign-off
[Strategic Director] [09/06/2017]	[CEO] [09/06/2017]	[Cabinet Member] [09/06/2017]

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	NO
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Exempt Information	NO

## Appendix A - Background to the project

### 1. Project Delivery; The Current position

- 1.1. Colston Hall is Bristol's largest concert hall. It is a vital part of Bristol's thriving and innovative cultural life which is central to the city's economic future.
- 1.2. Bristol City Council and Bristol Music Trust (BMT) aspire for it to become a modern, sustainable world class music venue to ensure; culture continues to thrive in the city, the building and BMT are fit for the 21<sup>st</sup> century.
- 1.3. Colston Hall Phase II aims to transform Colston Hall into a modern, sustainable world class music venue by redesigning the interior of the building and investing in the reinstatement of the historic fabric of the building at an indicative total project cost of £48.8m (**'the project'**) excluding optimism bias.
- 1.4. As freeholder of Colston Hall, the Council is responsible for leading and delivering the project.
- 1.5. As operator, BMT have pledged to secure the £48.8m funding required to deliver the project.
- 1.6. In June 2016 the Mayor approved investing £1.6m at risk in the project to commission the original design team to prepare and submit a detailed planning application for the project.
- 1.7. The Council's investment was matched by a £401,913 development grant from Arts Council England (**'ACE'**) to support the project through the design stage.
- 1.8. The June 2016 Cabinet report noted that the Council would;
  - 1.8.1. Establish a Project Board accountable to the Senior Leadership Team for the effective delivery of the project to a high quality, in accordance with agreed objectives, to time and within budget.
  - 1.8.2. Establish a Strategic Advisory Group accountable to BMT Board for monitoring the delivery of the project in accordance with the terms of the Collaboration Agreement and Facilities Requirements (once agreed).
  - 1.8.3. Agree Facilities Requirements with BMT which set out the design, technical and architectural requirements that the project must realise to enable BMT to successfully operate the building in accordance with their 25 year business plan.
  - 1.8.4. Undertake a cost benefit analysis (in partnership with BMT) at the beginning of RIBA Stage 2 to connect the existing business case with the technical requirements for the Project to inform the Facilities Requirements and latterly any value management that maybe required.
  - 1.8.5. Enter into a collaboration agreement with BMT setting out how the two organisations will work together to deliver the project through to completion.
  - 1.8.6. Since June 2016 the Council has established the Project Board and Strategic Advisory Group, undertaken a cost benefit analysis and agreed Facilities Requirements with BMT. However the Council have been unable to reach agreement with BMT on the terms of the collaboration agreement, negotiations will resume immediately if the Council on going investment in the project continues.
- 1.9. The June 2016 Cabinet Report also noted the project was predicated on the assumption BMT would run Colston Hall with no grant subsidy from the Council upon completion of the project. BMT have since confirmed that they are not able to run Colston Hall and deliver the entrusted services with no grant subsidy from the Council.
- 1.10. The Council has project managed the delivery of the project and in May 2017 the Council submitted a detailed planning application for the project supported by an RIBA Stage 3 cost plan for the agreed project budget of £48.8m.



## 2. Project Programme; the current position

- 2.1. The current project programme assumes Colston Hall will close between Spring/Summer 2018 – 2020 however the new foyer building will remain open if possible. The current project programme is achievable but there are a number of significant risks which could delay the delivery of the project if they materialise into issues.
- 2.2. Any delay in the project programme will increase the overall project costs as build cost inflation will increase. In addition for every month BMT are delayed returning to the refurbished building, they have estimated they could lose circa £80k income per month.

## 3. Colston Hall Background

- 3.1. In 2003 Bristol City Council's Cabinet ('Cabinet') agreed to support the redevelopment of Colston Hall. At the time it was envisaged the redevelopment would incorporate three distinct phases;
  - 3.1.1. Phase I: New Foyer Building
  - 3.1.2. Phase II: Improvements to main auditorium (Hall 1) and Lesser Hall (Hall 2)
  - 3.1.3. Phase III: Improvement to stage and backstage areas
- 3.2. Colston Hall Phase I delivered a £20.3m New Foyer Building in September 2009. The Arts Council England ('ACE') contributed £7m to the project with associated funding conditions.

## 4. ACE Funding Conditions

- 4.1. ACE included a number of conditions on the capital funding which were discussed and agreed with Council officers to ensure the success of the Colston Hall. These included:

Condition	Current status
Plans for completion of all the other phases	Remains to be met. If the Council fails to complete the other phases there is a risk ACE may seek to clawback their £7m investment into Phase I. However this is not drafted as an inevitable consequence in the ACE Grant terms and conditions; rather, ACE reserves the right to demand repayment
Artistic leadership arrangement	Has been met through the establishment of BMT
Consideration of governance options	Has been met through the establishment of BMT

## 5. Bristol Music Trust (BMT)

- 5.1. On 22nd July 2010 Cabinet agreed to establish an Arm's Length Trust to develop music across the city and manage Colston Hall (in accordance with ACE aspirations and grant funding conditions) to ensure the success of the Colston Hall. On 3<sup>rd</sup> March 2011 Cabinet agreed to enter into agreements with BMT. BMT were established to offer more flexible and dynamic artistic opportunities, along with financial benefits to the Council.

- 5.2. BMT is a company, limited by guarantee and a registered charity. It has eight Trustee Board members with a wealth of commercial, financial, legal and music experience between them. BMT has an agreed set of Memorandum and Articles which sets out the objective of BMT is to promote the arts, advancing education in the arts, and running a concert hall. Cllr. Estella Tincknell sits on the Board as Trustee. Laura Pye, Head of Culture attends Board meetings as an Observer.
- 5.3. **Bristol Music Trust Service Level Agreement:** In 2011 the Council entered into an Entrustment Agreement with BMT to run the Colston Hall and provide cultural, educational and heritage conservation services. Appended to the agreement, which runs until March 2036 is a Service Level Agreement ('SLA') relating to the provision of 'cultural development and education services'. The SLA included the Key Performance Indicators. These were reported to Cabinet in June 2016.
- 5.4. In accordance with the terms of the Entrustment Agreement the Council are required to enter into a new SLA and funding agreement with BMT for the planned closure period (Spring/Summer 2018 – 2020). The Council and BMT will agree annual funding for the planned closure period. This will be reported to Cabinet in December 2016.
- 5.5. Currently BMT are relying on securing an additional £900k external funding to support its business during the planned closure period. The Council will work with BMT to review the optimum financial and operational arrangements during the planned closure period.
- 5.6. In line with recent budget consultation a new SLA and funding agreement will be in place once the project is complete with a funding reduction of £500k per annum from 2020/2021 onwards.
- 5.7. During the planned closure period, BMT will deliver 'pop up' venues across the City. BMT have already stopped taking bookings at Colston Hall for the planned closure period.

## 6. Cultural Value

- 6.1. Colston Hall presents over 400 performances to a total audience of over 240,000 across a wide range of genres; whilst Bristol Plays Music is offering high quality participatory music programmes that reach over 30,000 children in Bristol and beyond. As the only music hub with its home at a major concert venue, Bristol Plays Music is able to provide a unique platform for creativity and performance that reaches over 20,000 young people each year.

## 7. Colston Hall Phase II relationship to the Arena

- 7.1. In 2014 a Bristol Entertainment Venues Study report was commissioned to consider the relationship between the Arena and other cultural venues in the City. The report concluded that *'an arena is not the only cultural asset required to provide the full range of entertainment venues in Bristol. Regardless of the arena, there is still a need to ensure Bristol has a world-class symphony scale concert venue.'* The Arena will not provide this.

## 8. Lease Agreement

- 8.1. The Council has retained the freehold of the buildings. In 2011 it entered into a lease with BMT for the new foyer building and existing (old) building at a peppercorn rent for 25 years. The lease was granted in exchange for the Trust providing certain cultural, educational and heritage conservation services, ensuring the Council meets its obligations to obtain best value.
- 8.2. As Landlord, the Council continues to have an obligation to maintain the structure and main services of the existing (old) building. Under the lease agreement BMT are responsible for the day to day maintenance and

are able to generate additional sources of income to cover these costs.

- 8.3. The Council's current outstanding repair and maintenance liability is estimated to be circa £3m. This is just to maintain the building in its current state with no enhancement.
- 8.4. The Council had been using its allocated Capitalised Revenue Budget to fund project development, only limited maintenance work has been carried out to ensure the building is kept open and fit for trading.
- 8.5. As part of the project the Council will be required to renegotiate the current lease arrangement to align with grant funding conditions. A minimum of 30years will be required with no break clause for the ACE and HLF grant funding conditions. The current lease has an option which allows the lease to be extended for up to 30years which if exercised should meet the funding conditions.
- 8.6. ACE have a charge on the freehold which would require the Council to seek their approval prior to a change in ownership.
- 8.7. BMT also have access to the Trenchard Street compound located next to the NCP Car Park on Trenchard Street to the rear of Colston Hall. BMT also require a 30year lease on the Trenchard Street compound as the site is integral to delivering the transport plan for the project.
- 8.8. The Trenchard Street Compound is currently allocated as a housing site in the Local Plan. Providing BMT with a 30year lease on the site would not allow the site to come forward for residential led development.

## **9. Valuation**

- 9.1. A preliminary assessment of the value of Colston Hall has concluded the building is estimated to be worth circa £1.1m. The property could be argued to be a significant liability with maintenance, rates and insurance. Alternative uses for the property are heavily constrained by planning policy. The property is listed and lies within a conservation area.

## Appendix D

No.	Risk	Likelihood	Impact
1	BMT may not raise the additional funding required increasing the Council's total capital contribution to £15-28m.		
2	BMT fail to realise the full £48.8m funding to the Council, there is no realistic prospect of redress, since it is understood that BMT does not have sufficient reserves of its own to underwrite any shortfall or failure in fundraising, there are no known proposals for insuring against these potential failures and the Trustees are to hold no personal liability for the Colston Hall project.		
3	BMT business plan is not sustainable and additional funding may be required from the Council to ensure BMT achieve a break even position		
4	BMT may not secure the additional £900k external funding required to cover their costs during the planned closure period and the Council may be asked to increase its revenue funding during the planned closure period		
5	If the project is delayed BMT could lose circa £80k income per month and the Council may be asked to increase its revenue funding during the an extended closure period		
6	Project costs may increase as in the current financial market there is the risk that the project may be exposed to severe market fluctuations; construction cost inflation and unforeseeable tariffs		
7	The grant funding conditions may not be acceptable to the council, limit the Council's ability to value manage the project during the construction period or require the Council to deliver additional requirements to those set out in		

	the Facilities Requirements.		
8	The Council and BMT may not be able to agree terms of the Collaboration Agreement and work in partnership to deliver the project		
9	The structural integrity of the building could be less stable than assumed		
10	The full extent of asbestos is currently unknown and intrusive works are required to fully define the level of this risk.		
11	The construction market maybe limited due to the complex nature of the project and the Council may receive higher tender prices increasing the overall project costs		
12	Planning permission may not be achieved		
13	Project Programme delays would increase the overall project cost due to construction inflation		