

CABINET – 06 10 15 EXECUTIVE SUMMARY OF AGENDA ITEM 12

Report title: Bristol Arena- Progress Update

Wards affected: Lawrence Hill, Windmill Hill, and City Wide

Strategic Director: Barra Mac Ruairí

Report Author: Stuart Woods, Arena Project Director

RECOMMENDATION for the Mayor's Approval:

There are no recommendations, this is an update paper for Cabinet and no decisions are required

Key background / detail:

a. Purpose of the report: Following December 2014 Cabinet this report is to update Cabinet on project progress. It follows previous reports in April and July 2015.

b. Key details:

1. This report deals with the enhanced opportunity created by the acquisition of the Arena Island site, and the adjacent Cattle Market Road site. It details adjustments to the cost estimates of the project, and sets out the latest position on; operator appointment, design development, contractor procurement, planning application, and building contract.
2. This report contains details of the latest project cost, which shows an increase of approximately 2.5% above that previously reported. The projected completion date of the Arena is early 2018.
3. Located on the former Diesel Depot Site, the Arena will be a catalyst for the development of the Bristol Temple Quarter Enterprise Zone (BTQEZ) in terms of spatial planning, creating jobs and generating economic and business rate growth.
4. A further report for decision will be made to Cabinet early in 2016; this will be for the appointment of the building contractor and final sign off of the funding package.
5. A future report will detail any prudential borrowing required for the development of the Arena Island site, aside from the Arena project.

AGENDA ITEM 12

**BRISTOL CITY COUNCIL
CABINET 6th October 2015**

**REPORT TITLE: BRISTOL ARENA
PROGRESS UPDATE**

Ward(s) affected by this report: Lawrence Hill, Windmill Hill and City Wide

Strategic Director: Barra Mac Ruairí

Report author: Stuart Woods, Arena Project Director

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3. Located on the former Diesel Depot Site, the Arena will be a catalyst for the development of the Bristol Temple Quarter Enterprise Zone (BTQEZ) in terms of spatial planning, creating jobs and generating economic and business rate growth.
4. A further report for decision will be made to Cabinet early in 2016; this will be for the appointment of the building contractor and final sign off of the funding package.
5. A further report will also be brought forward detailing any prudential borrowing required in advance of the development of the Arena Island site, aside from with the Arena project.

Arena Island

6. As reported to Cabinet in April and July of this year, the Council has been strategically acquiring land in the enterprise zone to realise its ambitions to create a vibrant new quarter for the city and region.
7. The council acquired Arena Island and 1-9 Bath Rd (the previous Kwik Fit site) from the HCA in March 2015 and this was quickly followed by the acquisition of the derelict former post office sorting depot in May. This land ownership has brought with it significant opportunities to develop Arena Island in the context of the ambition for the wider area.
8. As a result, the scope of the arena project has broadened with the challenge and opportunity of developing additional infrastructure needed to support the whole Arena Island development.
9. It is the Council's intention to fund this additional infrastructure by exploiting the development potential of the wider Arena Island site.
10. The additional infrastructure projects include a new cycle and pedestrian terrace access to Arena Island from the Bath Rd to open up routes through the site and a new public plaza between the arena and the rest of the development on the site. The council is also considering an opportunity to fund a large photo-voltaic array on the roof of the arena that would improve the sustainability credentials of the arena, add to the current renewables programme and provide additional energy for the city supporting the city's status as European Green Capital.

11. The operation of the Arena and the value of the remaining development land will be improved as these projects are delivered in advance of the Arena opening. There is a strong business case for ensuring that all these works are carried out at the same time as the Arena is built.
12. However this broadening of the scope of the works for the Arena does mean an extension to the planning and construction period. Although there is still work to be done on the timeline it is anticipated that this would move contract completion to early 2018.
13. A development appraisal is underway to look at the development potential of the rest of the Arena Island site and also Cattle Market Road site. Until this appraisal is completed it will not be possible to understand the net position for the development in terms of income from development and expenditure from site preparation. Ultimately it is expected that the Arena Island development will be cost neutral when complete, using development profit to fund initial infrastructure costs
14. The initial indicative development cost of Arena Island is set out below in **Table 1**. These costs sit outside of the agreed cost envelope for the development of the Arena itself and will be subject to a separate detailed appraisal;

TABLE 1

Arena Island Costs- INDICATIVE COSTS ONLY WITH A NUMBER OF UNCOSTED VARIABLES- DEVELOPMENT APPRAISAL UNDERWAY TO ASCERTAIN DEVELOPMENT POTENTIAL		
A4 Bath Road Access from site	£3.300m	To fund from Arena Island /Cattlemarket Road Development
Arena Island Plaza	£3m (estimate)	To fund from Arena Island/Cattlemarket Road Development
Other items being costed including remediation etc	£8-14m	To fund from Arena Island/Cattlemarket Road Development

Arena Project Financials

15. In addition to the council's £91m capital approval, the operator

has also formally committed an additional £2.5m capital funding, giving total funding available of £93.5m.

16. The council's initial £91m approval included an inflationary/risk contingency of £9m. In addition, a Project Optimism Bias contingency of 13% was approved in December 2014.
17. Following the design competition and the selection of Populous, a revised indicative cost plan has been produced. This has identified potential additional project costs as follows:
 - £1.5m as a result of initial design work – however, a number of areas of the design have been identified that can be reviewed during value engineering at the next stage (e.g. extent of glazing required to hide plant at roof level, and use of escalators within the building).
 - A £2m potential increase in tender price inflation, as a result of the change in opening date of approximately 4 months, to spring 2018. (NB: the opening date will only be confirmed once the successful contractor's programme has been agreed).
 - Potential additional risk provision of £0.5m
18. The cost plan and programme are indicative. They are based on the best advice from the consultant team and Arena Project Team. Until such time as the building contractor has been selected, neither the programme nor the cost plan will be certain.
19. Whilst the indicative design cost pressures could result in £1.5m of additional scheme costs (1.6% of scheme total), it is anticipated that they can be contained within the contingencies available.
20. The true cost of the Arena will only be known when the Target Cost is fixed with the contractor, the arena is built and the actual cost finalised. At that stage, the use of the Optimism Bias will be further considered.
21. Photo-Voltaic panels are also being considered for the roof and a decision on this will be made at the end of September. There is an approximate maximum capital cost of £1.925m for these, although it is expected that as a project this installation will be cost

neutral and therefore it has been excluded from the cost plan.

Programme

22. The overall programme for the development of the project is set out below. It is important to note that the programme is indicative only. The programme will become more certain during the building contractor procurement when the selected contractor's construction programme is accepted by the Council.

Date	Activity
October 2015	Building Contractor ITT procurement begins
End October 2015	Planning Application submitted
January 2016	End of Stage 1 Building Contractor procurement
February 2016	Outcome of planning application
May 2016	End of Stage 2 Building Contract signed followed by contractor mobilisation and Start on Site
spring 2018	Facility opens

Operator Procurement

23. In December 2014 Live Nation/SMG were selected as Preferred Bidder to operate the arena. A number of steps were needed before the final contracts could be agreed and the report recommended that authority for this should be delegated to the Strategic Director for Place (in consultation with the Service Director Legal Services).
24. The operator will assist in the design development of the project, but more importantly once the lease is granted will provide an annual rental payment. At the end of the lease period (25 years) the asset returns to council ownership. The operator will maintain and service the building and carry out lifecycle replacements according to their tender proposal, which has been reviewed by the consultant team.
25. All the main commercial issues have now been resolved with the operator and the Agreement for Lease is due for signature imminently.

26. As agreed at the February 2014 Full council meeting the Agreement for Lease will also in effect commit the council to prudentially borrow the funds needed for the construction of the Arena. Funding from the Local Enterprise Partnership (LEP) and the operator rental stream will meet the cost of borrowing for the project.

Design Development

27. Populous are the lead for the multi-disciplinary design team, supported by Feilden Clegg Bradley architects and BuroHappold as structural engineers.
28. The design team are now developing the project through RIBA Stage 3 design development. They are also producing a masterplan for the whole of the Arena Island site.
29. The design and cost plan are reviewed during the middle and end of each RIBA Stage, and Project Board approval is required to proceed through these design gateways. The project has also benefitted from a review from the Bristol Urban Design Forum on 24th August, with a further review taking place in October.

Building Contractor procurement

30. Earlier this year the Arena Island Project Board approved the shortlist of 5 contractors to take through from the PQQ (Pre-Qualification Questionnaire) Stage of procurement.
31. The procurement will be via a two-stage Design and Build tender process. This enables early contractor involvement in the design of the building. It also ensures that the contractor is best placed should value engineering be needed.
32. The ITT (Invitation to Tender) or Stage I period will begin in October. The aim of this process is to select one contractor to go through to the next stage of the procurement.
33. The Stage I tender returns are due in December. The Project Team will then evaluate the tenders using award criteria of 30% price 70% quality. **Appendix 1** contains details of how the criteria are broken down.

34. The Senior Responsible Officer for the project has signed off the key commercial positions in the NEC contract on behalf of the Project Board. Executive Board were briefed on the contents of the building contract and the evaluation criteria on 25th August 2015.
35. When a single contractor has been selected, Stage II of the procurement will begin. The contractor will undertake a Pre-Construction Services Agreement (PCSA) working in partnership with the project team.
36. During Stage II, when design, programme and construction methodologies are set, a target cost will be agreed with the preferred contractor. The building contract to undertake the works will then be agreed.
37. The Arena Island Project Board has approved NEC 3 Option C, a target cost setting contract. The NEC route has been chosen firstly as it is the same suite of contracts as the NEC for the design team, secondly because it enables a partnership approach between the Council, as client, and the contractor.
38. The “Option C” target setting approach is used widely in the construction industry. It involves agreeing “pain gain” thresholds with the contractor. This requires the council to be prepared to share some of the savings or costs at the end of the contract when the final, actual cost is known. These thresholds are set out in **Appendix II**.
39. The design team will be novated to the Contractor and become part of the Contractor’s supply chain.
40. As well as being contracted to build the Arena itself, the main building contract will contain elements to be funded outside the Arena project budget. These infrastructure works are a requirement of the council’s aspirations to develop the whole Arena Island site, and adjoining Cattle Market Road site.

Planning Application process

41. The council is promoting the scheme as developer and also assessing the scheme as the planning authority. Two planning applications will be submitted. The first of these will be a detailed application for the Arena itself showing Arena Island when the

Arena opens. The second will be an outline application for the future development of Arena Island.

42. The target date for the submission of the planning applications is the end of October. It is expected that the applications will be determined within 16 weeks
43. The public consultation process lasts four weeks. It began on 16th September, and will end at midnight on Tuesday 13th October. Full details are set out in the “Consultation and Scrutiny” part of this paper.
44. The planning application for the Arena will contain a full set of planning documents necessary for a project of this size and complexity. The Transport Assessment (TA) will give details of accessibility to and from the Arena using different modes of transport and assess the transport impacts of the proposals on the highway network.
45. The (TA) has been developed testing a ‘worst case’ scenario for a range of event sizes and times in order to understand the impacts and the mitigation that will be required across the busiest of events.
46. The TA takes a cautionary approach. It builds into its assumptions committed projects and mitigation measures within the council’s control and which are programmed to be delivered by the opening date. It also builds in mitigation, which has the potential to remove car trips from the network, for example, Park and Ride.
47. Although Council officers are engaged in positive discussions, and supportive intentions have been expressed by the train operating company, assumptions about improved rail services having the ability to remove car trips are not relied upon in the transport assessment. Additional provision is considered to be a realistic proposition, particularly given the rail enhancements that are coming to the city over the next few years.
48. The transport assessment sets out a number of service improvements, infrastructure requirements and information/soft measures, a number of which will need to be in place for the opening of the Arena. Robust event management plans for the larger events occurring at times when other significant events are

happening across the city (for example during the Harbour Festival or on key shopping days before Christmas) will need to be developed in conjunction with the operator and key stakeholders such as Highways England.

49. The necessary measures are being costed, and will be funded either from departmental budgets or from the £5m Transport works allocation in the arena cost plan. Details are set out in the public consultation process and represented in a map set out in **Appendix 3**, and the measures are summarised below;

- Arena Island Access on to A4- officers are exploring options on the Bath Road to ensure adequate access and egress for the Arena Island link to the Bath Road.
- On-street parking controls- as part of the public consultation process for the planning application people are being asked for their views about on street parking in areas near to the arena.
- Coach drop off/pick up- infrastructure works will be needed in Albert Road to enable coaches to safely drop off and pick up audiences for the Arena.
- Improved pedestrian crossing points.
- Temporary traffic management measures for large evening events
- Taxi drop off/pick up - infrastructure measures will be required.
- Signing/way finding - a package of works will be needed to ensure legible routes for arena visitors from car parks and other arrival points
- Soft Measures - use of Vehicle Management Systems signage to provide information to visitors.
- Park and Ride extensions- Park and Ride can provide transport solutions for a number of arena visitors for events of 10,000 visitors and above (expected to be around 45 events per annum). Further work is being carried out to assess the cost and income projections.

- Parking “app” - this is a city wide scheme, which the Arena will benefit from. The app is currently in development. It is proposed that there will be a link to the app from the operator’s website so that visitors can download it.
- Car Parking-a combination of permanent disabled car parking and temporary car parking for arena operator use only will be located on Arena Island. When the site is developed out the temporary spaces will be relocated. One option is to site them on 1-9 Bath Road. Initial feasibility work has been carried out.

LEP Funding

50. The LEP (Local Enterprise Partnership) Investment Board receives regular Highlight Reports on the project. The Full Business Case for funding will be submitted at the end of October, with endorsement of the business case due in January 2016.

Consultation and scrutiny input:

51. Project Scrutiny is via the OSM (the Overall Scrutiny Management) Committee. Officers attended OSM on 26th June. A further OSM meeting was held on 1st October and covered many of the issues raised in the July Council motion relating to public Transport.

a. Internal consultation:

52. The Service Director for Economy is the Senior Responsible Officer for the project. The Strategic Director for Place chairs the Arena Island Project Board. There are regular briefings with the Mayor and cabinet portfolio Assistant Mayors, and also a reporting line into the BTQEZ governance structure.

b. External consultation:

53. A pre-planning public consultation process began on 16th September and ends at midnight on 13th October. Postcards have been distributed to households within 750m of the Arena; there is an on line consultation, and external boards located at Temple Meads and on the Bath Road.

54. Briefings with the Chair of OSM, Party Group leads, and Councillors of Wards adjoining the Arena site took place on 11th September. This was followed by the launch of the public consultation on 16th September, and a joint briefing meeting for the local Neighbourhood Partnerships took place on 17th September.

55. In addition public drop-in sessions have been organised as well as a staffed public exhibition at the Galleries on 26th September followed by an Exhibition in the central library. Local resident groups have also been approached to offer briefings.

Risk management / assessment:

56. The key project risk is set out in the following table. There are standard risks associated with any construction project e.g. Cost increases, delay to programme, or a procurement challenge.

The risks associated with the development of the Arena:							
No.	RISK Threat to achievement of the key objectives of the report	INHERENT RISK (Before controls)		RISK CONTROL MEASURES Mitigation (i.e. controls) and Evaluation (i.e. effectiveness of mitigation).	CURRENT RISK (After controls)		RISK OWNER
		Impa	Probabilit		Impa	Probabil	
1	Project Programme is not achievable- cost and delivery delay potential if timeframe not achieved.	H	H	Complete critical path review, ensure swift decision making on the project, carry out review of the programme, and meet critical path elements for opening. Control project scope.	H	H	Project Team

Resource and legal implications:

Finance

a. Financial (revenue) implications

57. To pay for the cost of building the Arena and associated capital expenditure, the council will be in receipt of two ongoing revenue streams, from the Economic Development fund of City Deal and from operator rentals

58. City Deal funding - the latest projections show that the Economic Development Fund (from which £53m of the project is to be funded) is on target to deliver the £500m in business rate growth as originally forecast and as reported to the Business Rates Pooling Board in July 2015.

59. Operator rentals – these show no change from that which formed part of their bid to Bristol City Council.

b. Financial (capital) implications:

60. In addition to the council's £91m capital approval, the operator has also formally committed an additional £2.5m capital funding, giving total funding available of £93.5m.

61. The council's initial £91m approval included an inflationary/risk contingency of £9m. In addition, a Project Optimism Bias contingency of 13% was approved in December 2014.

62. Following the design competition and the selection of Populous, a revised indicative cost plan has been produced. This has identified potential additional project costs as follows:

- £1.5m as a result of initial design work – however, a number of areas of the design have been identified that can be reviewed during value engineering at the next stage (e.g. extent of glazing required to hide plant at roof level, and use of escalators within the building).
- A £2m potential increase in tender price inflation, as a result of the change in opening date of approximately 4 months, to spring 2018. (NB: the opening date will only be confirmed once the successful contractor's programme has been agreed).
- Potential additional risk provision of £0.5m

63. The cost plan and programme are indicative. They are based on the best advice from the consultant team and Arena Project Team. Until such time as the building contractor has been selected, neither the programme nor the cost plan will be certain.

64. Whilst these indicative design cost pressures could result in £1.5m of additional scheme costs (1.6% of scheme total), it is anticipated that they can be contained within the contingencies available.

65. The true cost of the Arena will only be known when the Target Cost is fixed with the contractor, the arena is built and the actual

cost finalised. At that stage, the use of the Optimism Bias will be further considered.

66. Photo-Voltaic panels are also being considered for the roof and a decision on this will be made at the end of September. There is an approximate maximum capital cost of £1.925m for these, although it is expected that as a project this installation will be cost neutral and therefore it has been excluded from the cost plan.

67. The estimated contract costs remain indicative until greater cost certainty is achieved following appointment of the contractor. However, if additional borrowing is required, there will be a net cost to the Arena Project which will require an increase in budget to cover.

Advice given by: Mike Allen, Finance Business Partner

Date: 27.08.15

c. Legal implications:

68. All procurement procedures have been followed to date in the project. There are no further legal comments as this is not a decision paper.

Advice given by Eric Andrews / Solicitor, Legal Services

Date: 27.08.15

APPENDICES

APPENDIX1 BUILDING CONTRACT ITT QUALITY EVALUATION

APPENDIX 2 BUILDING CONTRACT THRESHOLDS

APPENDIX 3 TRAVEL CONNECTIONS TO THE ARENA

APPENDIX1

BUILDING CONTRACT ITT QUALITY EVALUATION BREAKDOWN (100 Total weighted to form 70% of total Evaluation)

Question Topic	Weighting
H&S – Day to Day Management Initiatives, Risks and CDM	10%
Employment and Training – State BCC aspirations and question bidders on support initiatives for the unemployed, priority groups, local recruitment and supporting apprenticeships.	10%
PCSA Stage – Procurement Planning, NEC Target Setting Methodology, Project Risk Management & Resources	35%
Design & Build Stage – Construction sequencing and programme, Project Management, Quality Control & sustainability	35%
Interview – Presentation & Responses to questions	10%

APPENDIX 2

BUILDING CONTRACT “PAIN GAIN” THRESHOLDS

Final Cost Position (Target Price = 100%)	Contractor Share	Employer Share
80% or Less	0% Saving to Contractor	100% Saving to Employer
Over 80% to 90%	25% Saving to Contractor	75% Saving to Employer
Over 90% to 100%	50% Saving to Contractor	50% Saving to Employer
100% to 110%	50% Pain to Contractor	50% Pain to Employer
Over 110% to 120%	75% Pain to Contractor	25% Pain to Employer
Over 120%	100% Pain to Contractor	0% Pain to Employer

APPENDIX 3

TRAVEL CONNECTIONS TO THE ARENA

