

Overview and Scrutiny Management Board Supplementary Information



Date: Monday, 3 September 2018

Time: 3.00 pm

Venue: Committee Room, City Hall, College Green,
Bristol

Distribution:

Councillors: Geoff Gollop, Estella Tincknell, Donald Alexander, Tom Brook, Stephen Clarke, Claire Hiscott, Gary Hopkins, Carole Johnson, Paula O'Rourke, Celia Phipps and Jo Sergeant

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Date: 28 August 2018



Supplementary Agenda

9. Arena Update Report

(Pages 3 - 475)



Overview and Scrutiny Management Board

3rd September 2018



Title: Arena Update Report

Ward: All Wards

Recommendation:

Members to consider the attached* 'Arena Update Report' that will be taken at the Cabinet meeting on the 4th September



Appendices:

Appendix 1: Arena Up-Date Report

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Please see the full Cabinet report for further information.

Decision Pathway – Report Template

PURPOSE: Key decision

MEETING: Cabinet

DATE: 04 September 2018

TITLE	Bristol Arena		
Ward(s)	Windmill Hill and City wide		
Author: Stuart Woods / Nigel Greenhalgh	Job title: Arena Project Director / Arena Consultant		
Cabinet lead: Mayor	Executive Director lead: Colin Molton		
Proposal origin: <i>BCC Staff</i>			
Decision maker: Cabinet Member Councillor Craig Cheney, Deputy Mayor - Finance, Governance and Performance Decision forum: <i>Cabinet</i>			
Timescales: Cabinet 4 th September.			
Purpose of Report:			
<p>To set out an assessment of the relative merits of the existing Arena scheme as compared to potential alternative uses of the Temple Island site such as a mixed use development including hotel and conference facilities.</p> <p>This has been informed by a range of information including the Value for Money (VfM) Studies produced by KPMG, exploratory work undertaken by BCC including the Social Value impact and a review of the relative merits of the Arena and the possible alternative uses for the site.</p> <p>The assessment set out in this report has also been informed by the outputs and comments from the three OSM sessions on 18th, 20th and 22nd June 2018.</p>			
Evidence Base:			
<ul style="list-style-type: none"> • Bristol is the only core city without an Arena. Neither does it have a major bespoke conference venue. • Developments of cultural assets, such as arenas, normally require public sector intervention and funding, because in general the returns realised are not sufficient for them to be funded by private sector investment. • For the purposes of the assessment contained in this report economic and social value assessments have been used to help to identify, understand and quantify the indicative economic and social benefits likely to be generated by the Arena scheme as compared to potential alternative use schemes on Temple Island. Reference to Appendix I. • The current Arena proposals for Temple Island were developed at a time when there was no alternative proposal for the Temple Island site or for the delivery of a private sector funded Arena for Bristol. • This changed when the University of Bristol (UoB) purchased the Cattle Market Site and part of the Temple Island site, for the development of a post graduate university campus. • This changed further in 2017 when YTL, a Malaysian developer with an investment grade rating, put forward an alternative proposal to fund and deliver a 16,000 capacity Arena within the Brabazon Hangar at Filton. 			

This will require public sector funding to deliver infrastructure works which is estimated to be between £10m and £20m with the information presently available.

- The Temple Island proposal for a 12,000 capacity Arena would require public sector investment of £173m (which includes investment in car parking) and BCC would bear the development risk alongside the contractor.
- The KPMG Value for Money (VfM) reports (Appendix I) show that of the two propositions, the alternative BCC scheme at Temple Island provides better value for money in economic terms, based on the information provided to them. The alternative BCC mixed use scheme creates an estimated 2,101 jobs against 660 for the Arena and an economic net present value NPV of £837.2m against £282.6m for the Arena.
- KPMG reports that the two proposals are at different stages of maturity, based on the information provided to them, in terms of their development and carry different levels of risk in terms of deliverability. KPMG notes that the alternative BCC scheme at Temple Island are at an early stage in development planning and hence are not comparable from a deliverability perspective to the Temple Island Arena plans.
- It is the Council's view that this increased level of economic impact and job creation, for the alternative scheme, would clearly have a greater impact on the vitality of the City Centre. The jobs associated with the alternative proposals for a mixed use scheme at Temple Island are more likely to be of a regular nature than the employment patterns typically associated with entertainment venues which require increased staffing when events are being staged.
- The soft market testing has demonstrated that there is interest from the private sector to develop the Temple Island site and that the delivery of a conference facility, with the associated break-out and exhibition space, and 4 or 5* hotel could be included within the scheme. There is further work to be undertaken before all the risks and benefits are understood and a deal agreed with a private sector partner.

Temple Island Arena (see Appendix A1):

- After several previous attempts to deliver an Arena in the city, the project is now well advanced. The project benefits from an approved budget of £123.5m, a site in the Council's ownership, a technical design (RIBA Stage 4), and detailed planning permission. A 25 year operational agreement with an operator, Arena Island Limited (AIL) and a Pre-Construction Services Agreement (PCSA) with a Contractor, Buckingham Group Contracting Limited (BGCL), are in place.
- The initial Target Cost presented to the Council in October 2017 combined with the Council's own costs was significantly over the project budget.
- Following this, in November 2017 BGCL presented a revised offer based on value engineering and assessing the risk profile of the project. The officers and the consultant team believe that this proposal is deliverable but the design will need considerable value engineering to achieve the revised Target Cost, whilst at the same time retaining the existing planning permission and operator requirements.
- Following the OSMB (Overview and Scrutiny Management Board) meetings in June further discussions have taken place with the contractor. The Council and BGCL have agreed that a Target Cost of £119m may be achievable, which is a reduction of £3m on the previous Target Cost. This change is subsequent to the KPMG VfM reports, which have not been refreshed, and has therefore accounted for as a separate exercise in this report.
- The latest total project cost, which includes the revised Target Cost, exceeds the approved budget. The total project cost is now £173m, or £157m without the capital sums set aside for car parking. The total cost of £157m includes the Target Cost, the Council's client side or "direct" costs, the Council's risk contingencies, and the cost of capitalised borrowing during construction. As the Council's risk contingencies are commercially sensitive, the full detail of this is presented in exempt Appendix J1.
- If a decision was taken to proceed with the project, the proposed programme is now a start on site date in 2019 with the Arena opening in 2021.
- The agreements with the Contractor and Operator have been extended, whilst the Council reviews its options.
- Should an arena at Temple Island be preferred, further car parking would need to be identified within close

proximity. An initial study on additional sites, including 1-9 Bath Road and Portwall Lane, is complete and this work will be taken forward if the Temple Island Arena proceeds (though no decision on the Portwall Lane site has been agreed). In addition, the Council's transport department will be carrying out an upgrade to the Temple Gate car park as part of its works programme, and this will supply part of the provision required.

- The KPMG estimates for employment and economic NPV, for the Temple Island Arena, provides justification for the use of public money at a lower than commercial rate of return. However, it must be noted that the project exceeds the allocated budget and relies heavily on Council borrowing.
- Both the Council's project team and the contractor agree that following a decision on the project, it will take 5 or 6 months before the building contract can be signed, followed shortly after by a start on site. Some enabling works could take place prior to contract signature depending on the Council's appetite for risk.
- As reported at OSMB, the Arena operator (AIL) made an improved offer to the Council in December 2017, and this has been incorporated into the VfM reports. The Operator further improved this offer in June 2018. Details of this are set out in Appendix A1. It should be noted that these changes do not impact on the cash flow as they are based on the future performance of the Arena.

Alternative Temple Island Scheme (see Appendix A2):

- BCC developed an indicative scheme of development which is planning policy compliant and the KPMG VfM report is based on this scheme.
- The scheme content comprises around 65,000 sqm and is made up of the following uses:
 - 460 residential units; and
 - 26,000 sqm of mixed use commercial floor-space, which could include office, retail and hotel space, as well as a conference centre and business incubation space.
- During the OSMB hearings, the level of detail and supporting information for the alternative scheme was questioned. Since then the project team has carried out additional "soft market testing" with Legal and General (L&G), who had previously expressed a desire to work with the Council on this site, to further develop an alternative scheme.
- Preliminary work suggests that the L&G scheme could deliver increased density of around about 100,000 sqm of development with a significant portion of residential accommodation incorporating a policy compliant level of affordable housing, conference centre and hotel as well as office and retail space.
- The current status of the design points to a development mix as set out below, but these will be further refined and finalised during the development of the scheme:
 - Office 23,000 sqm
 - Retail 2,500 sqm
 - Residential 50,000 sqm
 - Conference centre 10,000 sqm
 - Hotel 16,000 sqm
- However, it should be noted that these proposals are not the subject of this paper or the VfM report, as the scheme content would naturally change during a development process.
- There is still work to be carried out to optimise the development opportunities, to understand the economic benefits and costs and finalise a deal with a private sector partner, and this is to be expected at this stage of development.
- As an example, evidence suggests that the provision of a conference centre and hotel facility increases the number of bed nights and spend, when compared to an arena. It has been calculated that a conference centre could produce up to 30% more bed nights than an arena. This will be part of the detailed work to be carried out to demonstrate the extent that the alternative scheme would improve the economic benefit for the city.
- The alternative scheme focusses on the development of a vibrant and dynamic mixed use development at the heart of Temple Quarter. The scheme complements the UoB's existing proposals for student residential development on the northern portion of the site.
- The proximity of the site to the UoB's proposed new Enterprise Campus and the developing commercial and

residential communities around the Temple Quay area would enhance the offer of this new quarter of the city. It would act as both a catalyst for future redevelopment to the east of the station and a fitting gateway to this area of the city.

- A proposed mixed use scheme could make the site a 24/7 destination with improved permeability through to future development areas.
- It is proposed that the work could start on site in 2020, subject to planning consent.

VfM Summary

Following a review of the VfM reports the main points and figures are summarised below. These are for the West of England and are totals over a 25 year appraisal period, based on the alternative scheme:

	Temple Island Arena	Alternative development at Temple Island (based on the BCC scheme)
Benefits Cost Ratio (BCR*)	3.2:1	23.0:1
Net Present Value (NPV*)	£282.6m	£837.2m
Employment (in net FTE terms)	660	2,101
Housing	0	460

These figures should not be viewed in isolation as due to the varying degrees of information available to KPMG for each proposition, the figures are not comparable on a like-for-like basis. Each of the KPMG reports need to be reviewed in full in order to understand the scope of analysis (including what impacts have or have not been captured in the value for money assessment) and caveats and assumptions to the analysis which must be taken in to account when interpreting the results. Furthermore, KPMG notes that a VfM assessment extends beyond consideration of a BCR. The financial and commercial cases for the proposals also need to be taken into account – details of which are included in the VfM reports.

*see Appendix G – Financial Advice

There are now two potential questions that need to be asked for the Temple Island site:

1. Is the proposed Arena on Temple Island affordable:

- The proposed Arena at Temple Island has the benefit of existing planning permission and a revised Target Cost offer based on a tender process. However, the total project cost still substantially exceeds the approved budget.
- If the decision is made to build the Arena, there will clearly be pressure on available budgets to deliver other Council priorities and decisions will need to be made on the capital programme.

2. What is the best use of the Temple Island site:

- It is understood that the level of detail and supporting information for the alternative scheme is not at the same level as for the existing Arena proposal. Therefore, the two schemes are not directly comparable.
- However, the high level information available on the alternative scheme demonstrates that the possible benefits (economic, financial and social) are so compelling that the development possibilities should be pursued.
- Having regard to the findings of the VfM reports specifically for the economic benefits, it is apparent that the Council’s alternative scheme on Temple Island, subject to deliverability, is significantly better value for money in economic and cost terms than the proposed Temple Island Arena.
- If an alternative mixed use scheme is supported at Temple Island, then the Council investment saved

could be used to promote other targeted schemes.

Recommendation:

Based on the information contained within these reports and due to the scale of potential benefits of an alternative scheme on Temple Island, which has been prepared and soft market tested by the Council, proceed with the alternative scheme.

It is recommended that:

1. The Council resolves not to progress further with the proposed Arena on Temple Island and to take all steps necessary and incidental to the cessation of that project.
2. The Council continues to work with partners to develop an alternative mixed use scheme for the Temple Island site, with a view to bringing a worked up proposal(s) back to cabinet in due course. Ideally, any proposal should include the following uses:
 - a. Conference Centre and 4 or 5* hotel facility;
 - b. Commercial space with the supporting retail offer;
 - c. Residential units, including a policy compliant level of affordable housing.
3. The Council develops a business case for the re-allocation to other projects of the £53m Economic Development Fund (EDF) money earmarked for the Arena project. Such business case to be submitted for approval to the West of England Local Enterprise Partnership at the earliest opportunity.

Corporate Strategy Alignment:

- Deliver 2,000 homes, of which 800 are affordable, built in Bristol each year by 2020.
- Develop an inclusive economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person.
- Reduce social and economic isolation and help to connect people to people, people to jobs and people to opportunities.

City Benefits – (See VfM reports and Appendices)

Consultation Details: None

Revenue Cost	(See VfM reports and Appendices)	Source of Revenue Funding	(See VfM reports and Appendices)
Capital Cost	(See VfM reports and Appendices)	Source of Capital Funding	(See VfM reports and Appendices)
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: Please refer to Appendix G for the financial commentary associated with this report.

Chief Finance officer: Denise Murray

2. Legal Advice:

- Cabinet will appreciate that the Council has a number of contracts in place in support of the Arena project, (eg an agreement for lease with the proposed operator, a pre-construction services agreement with the building contractor, appointments for the design team) and will be mindful of the parties’ respective rights and obligations under each of these. In the event that the outcome of cabinet deliberations is that the project cannot proceed, (whether immediately or following any further action or review) these will need to be brought to a satisfactory close having due regard to the specific terms of each contract, which will include dealing with any outstanding fees or other payments which may be due. Exempt Appendix J4 identifies some further particular legal issues to be considered in contemplating any decision not to proceed.

- In respect of an alternative development on this site, consideration will need to be given to any potential procurement issues in connection with the selection of a suitable partner and in achieving best value. Any such proposal will likely require a comprehensive development agreement which one can anticipate will take some time to negotiate.

Legal Team Leader: Eric Andrews, Solicitor, Team Leader - Corporate & Governance, Legal Services.

3. Implications on ICT: There may be some IT Implications in the event of this initiative proceeding, including IT fit-out of a project team, and these would be addressed as part of any project. However, there are no direct or immediate implications in this submission.

ICT Team Leader: Ian Gale, Business Change and ICT, Service Manager – Date 23.08.18

4. HR Advice: Resources are in place to contract manage the construction of an arena. If the decision is taken not to proceed with the construction then resource will be redeployed to other project work.

HR Partner: James Brereton, G & R HR Business Partner - Date: 21.08.18

EDM Sign-off	Colin Molton, Executive Director Growth and Regeneration	23.08.18
Cabinet Member sign-off	CLlr Craig Cheney	24.08.18

	Temple Island Arena	Alternative scheme on Temple Island
Appendix A1 – Further essential background / detail on the Arena on Temple Island proposal	YES	n/a
Appendix A2 – Further essential background / detail on the Arena in the Brabazon hanger and the alternative scheme at Temple Island proposal	n/a	YES
Appendix B – Details of consultation carried out - internal and external	Only Internal Consultation for both schemes	
Appendix C – Summary of any engagement with scrutiny	YES	YES
Appendix D – Risk assessment	YES	High-Level risk register in Appendix A2
Appendix E – Equalities screening / impact assessment of proposal	YES (E)	YES (E1)
Appendix F – Eco-impact screening/ impact assessment of proposal	YES (F and F1)	YES (F2)
Appendix G – Financial Advice	YES	
Appendix H – Legal Advice	Not Used	
Appendix I – Combined Background papers		
<ol style="list-style-type: none"> 1) KPMG VfM Study – Summary Report 2) KPMG VfM Study – Arena at Temple Island 3) KPMG VfM Study – Temple Island Arena Background report (redacted) 4) KPMG VfM Study-Temple Island Alternative scheme 5) Temple Island Arena- Scope of Enabling works pre contract 6) Social Value calculator 		
Appendix J		
Exempt and not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act		

1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information))' and 5 (Information in respect of which a claim for legal professional privilege could be maintained in legal proceedings').

J1-Finance Appendix

J2-AECOM Target Cost Tender Report v0.5

J3-KPMG Temple Island Arena Background report (Unredacted)

J4-Legal Comments exempt

APPENDIX A1: Further essential background / detail on the proposal

BRISTOL ARENA: DECISION TO ENTER INTO BUILDING CONTRACT

PURPOSE OF REPORT

This paper has been prepared to appraise the Mayor and Cabinet of the progress and status of the Bristol Arena project, value for money (VfM) review and Arena car parking study. The paper seeks approval for the Council to enter into a construction contract with Buckingham Group Contracting Limited (BGCL) and also identifies the alternative options available to the Council for the existing procurement.

1 DECISIONS REQUIRED TO ENABLE THIS PROPOSAL TO PROCEED

Should a decision be made not to accept the recommendation to pursue an alternative scheme, but continue with the proposal to build an arena at Temple Island, cabinet asked to approve the following:

To authorise the Strategic Director for Growth and Regeneration in consultation with the Deputy Mayor and Monitoring or Section 151 Officer to:-

- 1.1. Negotiate and agree terms of, and enter into, an NEC3 ECC building contract for the construction of the Bristol Arena;
- 1.2. Vary the Target Cost pain/gain share contract approach, if further work demonstrates this is to be beneficial to the council;
2. To allocate the approved budget required for the Arena project of up to £156.86m (which includes the Target Cost of £119m) to deliver the project as outlined in this report, to be financed from prudential borrowing and capital contributions;

2 THE PROJECT

2.1 Cabinet should note that this paper and the majority of the appendices are related to the Arena project at Temple Island.

Background

- 2.2 Cabinet approved a funding package of £91m in January 2014 to realise the economic, social and cultural benefits detailed within the Bristol Arena Outline Business Case. A cost increase of £4m was reported to cabinet in October 2015. In March 2016 Cabinet approved an additional £28m to reflect additional infrastructure to be included within the Arena construction contract. The project budget details are provided in paragraph 4.1 of this report.
- 2.3 A summary of the key Bristol Arena project milestones are detailed below:
 - a) Appointment of Arena Island Limited (a consortium of Live Nation and SMG) as the future Bristol Arena Operator;

- b) An RIBA Stage 4 Technical Design completed by the design team led by Populous, with sub consultants, including Feilden Clegg Bradley Architects and BuroHappold Engineering;
- c) Detailed planning consent granted for the Bristol Arena to be built on the Temple Island site in Bristol's Temple Quarter;
- d) Appointment of Buckingham Group (BGCL) as preferred Building Contractor for the Bristol Arena project under a second Pre-Construction Services Agreement (PCSA);
- e) Construction of the £5m RIF funded St Phillips footbridge, to provide the pedestrian flow requirements of the Bristol Arena project;

January 2018 Cabinet

- 2.4 The purpose of the report was to update Cabinet on progress in resolving the outstanding issues, summarising the work done since the last visit to Cabinet in April 2017. Below are the recommendations with the position as set out in January 2018:

Recommendation 1 - Approve award of the Pre Construction Services Agreement (PCSA) to Buckingham Group (BGCL) in order to firm up current costings. The initial 20-week period for the PCSA is now complete. The Buckingham Group have presented a Target Cost for the Council's consideration. Further work is required to review and verify details of Buckingham's latest proposal, including risk apportionment and value engineering. The Council is continuing discussions with Buckingham.

Recommendation 2 - Authorise the Strategic Director for Place to undertake all negotiations and sign off the PCSA Contract. The PCSA contract has been signed with Buckingham, and to reduce the weekly spend incurred by the Council during the review period, the contract with Buckingham was suspended in November 2017 so that the Value for Money (VfM) study could be concluded, the Target Cost reviewed and other outstanding issues resolved. The PCSA office has been closed for the time being. The PCSA allows for a suspension of up to six months. The Council can recommence the PCSA once the outstanding issues have been resolved.

Recommendation 3 - Ensure that the PCSA progress takes full advantage of value engineering options under the current project. The Contractor's latest proposal includes the potential for cost savings as a result of value engineering and these are being considered in terms of viability and deliverability and where achievable, are being incorporated within the Target Cost. The parameters of the Value Engineering exercise are to retain the integrity of the "core scheme", maintaining the Council's requirements regarding capacity, configuration, and size and retaining the existing planning permission and agreements in place with the Operator, Arena Island Limited (SMG/Live Nation). Discussions are being held with them to confirm their position.

Recommendation 4 - Commission an independent Value for Money review to inform the economic case for any investment in the project. Following a Tender exercise, KPMG were awarded the contract to undertake the VfM review. The report is in the process of being finalised. To ensure the assessment reflects a wider choice of contracting options, this is being expanded to take in the location, design and the possibility of private financing as part of a thorough assessment of options and this will be incorporated into the next arena Cabinet report.

Recommendation 5 - To undertake further indicative work as to what type, size and shape of arena could be procured should a new procurement be required. Terms of Reference have been

prepared and should this work still be required following receipt of the VfM review, it will be formally commissioned.

Recommendation 6 - To request that the Strategic Director for Place return to Cabinet following the conclusion of the PCSA, VfM Study and the review of options in order for Cabinet to take a view on how to proceed. This report to January Cabinet is a progress report only, pending a return to Cabinet in April 2018.

Recommendation 7 - To approve Enabling Works and the pre-ordering of work/materials where there is clear benefit in doing so, prior to the main contract being signed. The April 2017 Cabinet approved Enabling Works should the Council wish to initiate works where there was a clear benefit in doing so. To date £30,000 has been incurred on the production of a site remediation strategy, which demonstrated that cost savings could be achieved by an alternative approach.

3.5 Two recommendations related to car parking were not supported by the April 2017 Cabinet:

Recommendation 8: To approve the allocation of £500,000 from the existing allocation to the scheme to finance further work on the proposed car park at 1-9 Bath Road.

Recommendation 9: To return to Cabinet with options on the provision of a car park following the work referred to above.

Recommendations 8 and 9 as set out in the report were not endorsed and were to be reviewed in a fresh look at the travel plan with a further report to cabinet as soon as possible. The Project Team has commissioned consultants to produce a report on car parking, which is in draft form, but needs further work on deliverability of options and opportunity cost. The final report will assist the Council in making some strategic decisions, including whether to take forward the site at 1-9 Bath Road.

3 THE BUDGET POSITION

3.1 The funding package has been assembled via a number of sources and this, along with a cost summary, is set out in Exempt Appendix J1 and in the Financial Appendix G. Appendix J1 is exempt as the Council has risk contingencies that are commercially sensitive included within its client side cost total.

3.2 In addition to the above funding, the Council has committed the land required for the development of the Arena to the project. The development costs within the KPMG Value for Money Report, include a £12.5m opportunity cost, based on a high level land valuation representing what value could be achieved if the Council sold the site for an alternative development.

Operator Revised offer

3.3 The Arena Operator tabled a revised financial offer in December 2017, which the Council has provisionally accepted (subject to cabinet approval). This improves the overall financial position on the project and is included in Appendix J1. The operator stated that an offer of £55m had been made. The offer included increased rental, capital, and a proposal for additional rent post Year 25. Although the council was unable to recognise and reconcile this figure, the key financial benefits are reflected

in the KPMG VfM study. The council has not agreed to extend duration of the lease with the operator.

- 3.4 At OSM the operator further improved this position by offering to reinstate the council's profit share provisions in the Agreement for Lease, which the council had previously given up in February 2018. Further work with the operator enabled the potential benefits of these profit share clauses to be modelled as potentially realising up to £4m during the life of the contract. However, as this offer relates to future profit share provisions which cannot be relied upon with any certainty, no income is included in the KPMG report or in the Council's financial model for the project. This approach has been consistent throughout the project.

4 THE CONSTRUCTION CONTRACT AND TARGET COST

- 4.1 This section introduces and summarises the status of the Arena construction contract procurement and presents the Target Cost offer from BGCL.

Construction Contract

- 4.2 The procurement process for the Bristol Arena project is known as two-stage procurement. The first stage was completed when a single preferred contractor was selected from an initial group of five tendering contractors. In the second stage the selected contractor enters the Pre-Construction Services Agreement (PCSA) with the Council and both parties seek to agree a Target Cost for the design and construction of the project.
- 4.3 The Bristol Arena construction contract is an NEC3 ECC Option C Target Cost contract. This contract was selected by the Council as it promotes collaborative working between client and contractor. This is achieved through prescribed management processes that encourage the prompt resolution of issues and a payment mechanism that incentivises common objectives through the sharing of contract outturn cost risk through the "Pain/Gain" payment mechanism. NEC3 contracts are endorsed as best practice in procurement for public use by the UK Government, Crown Commercial Service.
- 4.4 At the end of the project when the Actual Cost of the works is known, the difference between the Target Cost and Actual Cost is divided between the Contractor and the Council using a "Pain/Gain" share. The Council sets aside a contingency to accommodate the cost of any project changes. The size of this contingency will be determined by the risk for the Council associated with the project and the level the Target Cost is set at. The "Pain/Gain" share is set out in the table below and was previously shared with Cabinet in October 2015.

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

- 4.5 The Pain/Gain mechanism means that if the Actual Cost at the end of the project is greater than the Target Cost, then both parties share that cost. On the other hand, if the Actual cost is less than the Target Cost, then both parties share the savings. The following table includes a set of sensitivities related to the Target Cost of £119m and how they would affect the Council and the Contractor.

% of Target Cost	77.50%	87.50%	100%	112.50%	122.50%
Final construction Cost (£'000)	£92,225,000	£104,125,000	£119,000,000	£133,875,000	£145,775,000
Pain/Gain Share (£'000)	£26,775,000	£14,875,000	£0	£14,875,000	£26,775,000
Buckingham ('000)	£9,668,750	£6,693,750	£0	£8,181,250	£17,850,000

BCC ('000)	£17,106,250	£8,181,250	£0	£6,693,750	£ 8,925,000
Total Payable to BGCL	£101,893,750	£110,818,750	£119,000,000	£125,693,750	£127,925,000

In the case that the Actual Cost exceeds the Target Cost, the Council has set aside a contingency towards this. This is covered in Appendix J1 as it is commercially sensitive. In the Event that the Actual Cost is less than the Target Cost, the Council receives a share of the “gain”, for example in the table above for an Actual Cost of £104m the Council would gain £8,181,000. In addition to this it would not have had to use its contingency set aside for the “pain” element of the contract.

Target Cost

- 4.6 The working relationship between the Council and BGCL has been positive and the initial Target Costs were delivered to the Council in accordance with the PCSA timeline by 20th October 2017.
- 4.7 During the PCSA, BGCL produced two Target Costs for the Arena:
- 1) A Target Cost for the current RIBA Stage 4 Design completed by Populous (£146m) ; and
 - 2) An alternative Target Cost for a value engineered design that delivered the fundamental technical, commercial and statutory requirements of the Arena project, but at lesser cost (£122m).
- 4.8 The alternative Target Cost was then developed during November 2017 and the cost is significantly lower; it satisfies the Council's original requirements in 2013 (see 5.10) for the project however the cost of the project still exceeds the available budget (see Appendix J1).
- 4.9 The Council set out their requirements for the Value Engineering of the current RIBA Stage 4 Arena design in a Value Engineering Brief. For the purposes of this paper, the definition of Value Engineering includes scope reduction and removal. This document ensured key elements of the project were preserved during this cost reduction exercise. The value engineering proposals were required to:
- Maintain the size, shape and 12,000 audience capacity of the Arena;
 - Preserve the existing Arena Operator AfL (Agreement for Lease) and shared BCC / Operator business case;
 - Comply with the existing planning consent, subject to minor changes permitted in accordance with the Town and Country Planning Act 1990 Section 73 process;

- To maintain OJEU compliance (rules governing the current main contractor procurement);
 - Ensure efficiency in both the construction and operation of the Arena; and
 - To ensure all statutory, safety and BCC policy requirements are adhered to.
- 4.10 In response to the Council's Value Engineering Brief, BGCL have reviewed the current project design and sought to achieve significant cost savings through three main value engineering strategies. The strategies addressed the main elements of the Arena where costs could be reduced without compromising the building operation, business case or appearance. These are:
- 1) Re-engineering the Arena external walls, known as the building envelope and façade, whilst maintaining the exterior appearance and performance;
 - 2) Re-designing the Arena Mechanical and Electrical (M&E) systems including the ventilation system to simplify the heating and cooling equipment; and
 - 3) Replacing the building's architectural concrete frame with a more efficient steel frame, reducing construction durations through increased off site fabrication.
- 4.11 In addition to these three main proposals, BGCL identified numerous other alternative materials and products that would meet the Arena performance requirements, but at lesser cost. The compromise in many cases is the aesthetics of the finishes, whilst maintaining durability and quality. One of the impacts of this is the reduction of the BREEAM rating from Excellent to Very Good, and discussions have taken place with the Planning Authority relating to this.
- 4.12 The BGCL Target Cost for the scheme is based on the incorporation of all the proposed value engineering design change proposals. This Target Cost represents the best outcome achievable from this contractor procurement process, whilst working within the Council's Value Engineering Brief.
- 4.13 BGCL believe that the Target Cost can be reduced by a further £8m, and should the project proceed, this will be explored with them. BGCL stated at the OSM meeting that a saving of 5% to 10% was possible. Post OSM, the council and Buckingham have been in discussions over the Target Cost. BCC feel that only £3m of the £8m savings proposed by Buckingham are achievable and consistent with council's objectives and planning. Therefore the council and Buckingham have provisionally agreed a Target Cost of £119m (previously £122m, refer to 4.7) subject to cabinet approval. This has the effect of increasing the surplus on the project after 25 years from £1.3m to £6.55m.
- 4.14 The project team, which includes AECOM as cost consultants, confirms that the provisions set aside in the BGCL Target Cost for risk, inflation and variations to the contract are appropriate for a project of this size and complexity on this site. The AECOM tender report (Exempt Appendix J2) confirms that the project can be delivered within the proposed Target Cost. Albeit low, there is a cost risk to the project if the full savings of the value engineering proposal are not realised and therefore that the cost reduction process is prolonged.
- 4.15 This risk will be mitigated through the following measures:

- Setting a realistic Target Cost with sufficient risk contingency;
 - Development of a complete and robust package of design and works (specification) information prior to entering into the construction contract;
 - Ensuring acceptance and sign off of design information by the Arena Operator prior to entering into the construction contract; and
 - Utilising the services of suitably experienced cost consultants, technical advisors, contract managers and solicitors to support the construction contracting process.
- 4.16 The PCSA can be recommenced on notice from the Council should it wish to continue with the project. Further information is supplied in the Legal appendix.
- 4.17 Should BGCL terminate the PCSA, any replacement contractor would have to be secured through a new procurement process.
- 4.18 Enabling Works that the Council may wish to undertake prior to entering into the main construction contract are included in Appendix I. Cabinet approved this in April 2017. These Enabling Works will be required to meet the 2021 target date for opening the Arena.
- 4.19 The construction contract is made up of the following main elements:
- a) Arena building including furniture, fixtures and equipment (FF&E);
 - b) A service yard to the rear of the Arena;
 - c) Public steps and lift to the west and plaza to the north of the Arena;
 - d) Access roads from the newly constructed Brock's Bridge;
 - e) Public access routes from the A4 Bath Road, including the Southern Access bridge over the railway line for pedestrians and cycles and a widened pavement as far south as the Three Lamps Junction;
 - f) Permanent disabled car parking (50 spaces) and cycle parking on Arena Island;
 - g) All utility service connections, drainage and associated infrastructure;
 - h) Remedial works to the Arena Island perimeter structures including the A4 and River Avon retaining structures and walls; and
 - i) Upgrading and remedial works to the A4 access road to the south west of the site for emergency use.
- 4.20 The construction of the Arena will require offsite construction depots, due to the transfer of part of the Arena Island site to University of Bristol for their new Campus development. This transfer is forecast to take place at the end of 2018, so the land would not be available for use during any of the construction works. The following depot sites are proposed as part of this Cabinet Paper, subject to relevant licences and agreements:
- Former Pest Control Depot plot, this site owned by Homes England, located beside Brock's Bridge is presently being used under licence as the depot for the Construction of the St Phillips footbridge; it is proposed that this licence would be extended to cover the construction of the Arena.
 - A council owned site (for further details please see Exempt Appendix J1)

The Contractor has included costs for the change of compound location from Temple Island to these sites in the Target Cost. There may be costs to the council as a result of the change of site compound, yet to be identified.

- 4.21 The Council's direct costs sit outside of the construction contract but are part of the overall project cost and are set out below (figures can be found in Exempt Appendix J1 and the KPMG unredacted background paper):
- a) The Arena design fees incurred prior to the construction contact (pre-novation);
 - b) Project development costs including the costs associated with the purchase of the Arena Island Site from Homes England, Council's project management and wider consultant project team, studies and reports;
 - c) A water utility connection infrastructure charge;
 - d) The cost of "loose" furniture, fittings and equipment (FF&E) not in the construction contract, but part of the Agreement for Lease with the Arena Operator;
 - e) Community Infrastructure Levy (CIL) payment;
 - f) Transport capital and revenue costs to meet to the requirements of the Arena planning application;
 - g) The 2016 PCSA with Bouygues UK Limited;
 - h) The council's own risk contingencies;
 - i) Interest during construction.
- 4.22 The Council's supply of the land, which has a high level estimated value of £12.5m, has not been included within the direct costs, as this value is an opportunity cost, rather than a direct cost that the Council would need to pay. The actual costs of the purchase of the site that the Arena will be developed on are included as part of the direct costs outlined above.

Verification of the revised scheme

- 4.23 It should be noted that the current proposal maintains the flexibility required by the council in terms of its ability to host a wide number of activities in a variety of seating and standing configurations. In addition the bowl is designed so that the arena can operate in a 5,000 capacity mode.
- 4.24 A number of work streams were carried out prior to cabinet to ensure that the re-designed scheme was robust and deliverable. These include:
- Verification by AECOM of the Value Engineering proposals to ensure they are realistic and that risk and contingencies are addressed sufficiently.
 - Operator support - A workshop took place on 23rd February 2018, attended by the Arena operator, to review the proposed changes to the scheme. The objective was to ensure that the design meets the Facilities Requirements set out in the Agreement for Lease. Overall the operator is supportive, though further detail is required in a number of areas before formal sign off can be achieved. The development of design and works information will be required to provide the level of detail required for the operator to provide the sign off required by BCC prior to entering the Building Contract. A four month period has been allowed in the project programme for this process.

- Planning Authority endorsement - a workshop was organised to review the impact the revised design would have on the existing detailed planning permission. The Planning Consultants to the project have led this process in consultation with the Planning Authority. The view is that amendments can be managed through condition discharge and a Section 73 process, which maintains the existing planning permission.

Social Value outputs

4.25 The Council is agreeing with BGCL an Employment and Skills plan, which details their commitments for working in collaboration with Bristol City Council, On Site Bristol and Job Centre Plus, to maximise recruitment and training opportunities to achieve the following outcomes:

- Recruitment of local people within the Bristol and West of England geographic areas.
- Implementation of the BGCL “Buy Local – use Local” Policy to ensure that local suppliers are engaged in the Arena construction and supported to develop their workforce via the recruitment of apprentices / graduates and general training for all.
- Targeted recruitment for the long-term unemployed and young people ‘Not in Education, Employment or Training’ (NEET) through Job Centre Plus and Onsite Bristol.
- Training and apprenticeships for local people, with a focus on training to increase their opportunity for long-term employment.
- Graduate placements offered for new job starts.
- To offer work experience placements during the construction of Bristol Arena.
- To arrange educational visits for local educational establishments.
- Undertake activities, events or contacts to support job and training opportunities for Care Leavers and young people in care.
- Undertake activities, events or contacts to support job and training opportunities for Individuals from groups traditionally underrepresented in the construction sector e.g. women, people from BME communities, people with learning difficulties and/or disabilities.

Targets for inclusion in the Employment and Skills Plan are being developed with BGCL, whose commitments include:

No.	BGCL Commitment
1	Minimum of 50% of the labour force from West of England
2	Minimum of 25% of the labour force from Bristol (BS1 to BS16)
3	48 Construction apprenticeships
4	50 work placements
5	10 graduate placements offered for new job starts
6	250 person weeks of construction training
7	3 Engagement events or initiatives per month of construction covering: <ul style="list-style-type: none"> • Pupil interactions with Arena Construction • Job and training opportunities for Care Leavers and young people in care.

	<ul style="list-style-type: none"> • Recruitment for the long-term unemployed and young people Not in Education, Employment or Training' (NEET) • Job and training opportunities for Individuals from groups traditionally underrepresented in the construction sector e.g. women, people from BME communities, people with learning difficulties and/or disabilities
8	1 Supply chain training/support initiative per month of construction.

The measures will be incorporated as obligations within the NEC3 Building Contract and detailed in full within in the Employment and Skills Plan submitted for discharge of condition 16 of planning permission 15/06069/F, which states “a scheme for an employment and skills programme shall be submitted to and approved by the Local Planning Authority.”

- 4.26 At OSM BGCL put forward a Social Value offer to the council, which officers have cross-reference against the employment and skills plan to ensure all the benefits are captured. The Social Value offer is the same as that in the Employment and Skills Plan, however it provides more of a detailed breakdown of the Social Value elements than are currently set out in the Employment and Skills Plan.

Construction Contract - Next Steps from 4th September 2018

- 4.27 Up until 4th September (cabinet decision) the Project Team on the Temple Island project has been unable to commit to project delivery pending the outcome of this Cabinet paper. It has been possible though to plan ahead. In order to progress with the scheme, prior to signing the main building contract a number of work streams will need to be progressed, as set out below:
- a) Council to approve the alteration of the current Arena RIBA Stage 4 Technical Design in line with the BGCL Value Engineering proposals to take forward the Project outlined in the £119m Target Cost;
 - b) Confirm or secure the range of funding sources necessary to close the affordability gap on the project;
 - c) Lift the PCSA suspension to resume the PCSA works, negotiate the Target Cost for the alternative value engineered scheme and proceed to contract close on the construction contract;
 - d) Continue to review the extent of the Value Engineering and risk allocations with a view to improving the Target Cost position;
 - e) Carry out Enabling Works where advantageous to do so;
 - f) Continue to review the opportunities for savings and economies across the project;
 - g) Submit planning condition discharge applications and if required a Section 73 application under the Town and Country Planning Act 1990, to the planning authority to make necessary but non fundamental changes to the consented Arena design;
 - h) Contract Management and Resourcing - A resources plan has been prepared and costed for the next stage of the project and is ready for implementation. It includes proposals for the contract management of the building contract by a consultant team. This cost is included in the overall project cost;
 - i) Design Development approach - The contractor is proposing changes to the design team, which the Project Team have accepted in principle subject to the changes being on a like for like basis, with no change to the protections provided to the

Council and Operator. A limited amount of design work will be done before contract close, and the project team will agree with the contractor robust Works Information to preserve the quality of the design going forward;

- j) Arisings - To achieve sustainability and cost benefits the project proposes to utilise 10,000m³ of inert crushed concrete from the former post office sorting building on Cattle Market Road (CMR) demolition works for fill and creation of the piling mat on the Arena Island site. In addition, to use 7000m³ of material excavated from the Arena works as fill for the basement on the CMR site. The contractor included these assumptions within their Target Cost offer, and any alteration of this position could result in cost and vehicle movement increases for the project;
- k) The Council entered a Framework Asset Protection Agreement with Network Rail, under which approvals for the construction phase of the project will be managed. In addition an Overbridge Agreement is required with Network Rail to build the A4 Southern Access over the railway line at the rear of the site. Network Rail has provided a Business Clearance Certificate and Letter of Comfort whilst the Overbridge Agreement is secured;
- l) Agreement for Lease - a Deed of Variation to the Agreement for Lease with the Operator will be necessary to update some of the milestones to reflect the revised programme and improved financial offer from the Operator.

Potential Contract Revision

- 4.28 Sections 4.1 to 4.6 of this paper describe the council's approach to the type of Building Contract and use of the NEC 3 Option C Target Cost. The Contractor procurement has now been progressing for over two years, and during that time the project has developed and the economic environment has changed. The council is reviewing whether or not the pain/gain mechanism could be altered to de-risk the project, whilst avoiding procurement risk. Discussions are taking place with Buckingham Group.

5 VALUE FOR MONEY (VfM) STUDY FOR AN ARENA AT TEMPLE QUARTER

- 5.1 KPMG were appointed in September 2017 to undertake a VfM study for the Bristol Arena project.
- 5.2 The Executive Summary of KPMG's report is included as Appendix I. The KPMG Background Report has been included as an exempt Appendix (J3), due to containing commercially sensitive information, including from the Agreement for Lease with Arena Island Limited and Target Cost information from BGCL. The key findings are still relevant as an evidence base for a Cabinet decision on the project.

Key findings

- 5.3 The key findings are set out in the KPMG Summary Report (Appendix I). It should be noted that these conclusions should not be viewed in isolation. The full KPMG VfM reports should be viewed in full to understand the scope of analysis (including what impacts have or have not been captured in the Value for Money assessment) and caveats and assumptions to the analysis which must be taken into account when interpreting the results. ***Please also note that the KPMG VfM study has not been updated to reflect the reduced Target Cost of £119m. The information set out in***

this section will differ from that elsewhere in this report related to Target and Capital Cost.

- 5.4 KPMG estimates the Project has a positive BCR, although lower than the 2016 estimate: Over a 25 year period there is an estimated BCR of 3.2:1. This suggests a strong economic case for the Arena at Temple Island.
- 5.5 KPMG estimates the Arena could yield net additional economic output and employment: In net terms, the direct, indirect and induced impact of the operation of the Arena, wider spending of attendees and catalytic development could generate Net Present Value (NPV) GVA of approximately £387.1m and up to 660 Full Time Equivalent (FTE) jobs in the West of England over 25 years.
- 5.6 KPMG notes that positive social impacts may also arise from enhancing Bristol's cultural offer: The Arena will fill an existing gap in Bristol's cultural offering, and would regenerate a currently derelict site in Bristol. The Arena could have widespread benefits in terms of improving the standard of living in Bristol, improving access to culture and arts and improving community cohesion. Social impacts are also linked to the developer's Employment and Skills Plan¹ (targets to be finalised) and any community engagement activities the Arena Operator chooses to put in place².
- 5.7 KPMG notes the strategic case has weakened since the Outline and Full Business Cases were drafted: Since the Full Business Case ("FBC") for the Arena was put forward, BCC has further developed its strategic plans for the City and BTQEZ, and wider public priorities have changed. Furthermore, the University of Bristol's purchase of the remainder of the Temple Island site and the Post Office Sorting Depot site has weakened the likely catalytic impacts of the Arena and, therefore, the strategic case of the project. The strategic rationale for public sector intervention would also be weakened if YTL's private sector led and financed proposition for an arena proves deliverable and would generate a similar or better BCR.
- 5.8 KPMG notes that the projected development cost exceeds BCC approved budget: BCC has received a Target Cost estimate from Buckingham of £122.1m that, once added to BCC's own costs of £34.2m³, give a total estimated cost (excluding land contribution and car parking) to develop the Arena of £156.3m, exceeding the approved budget of £123.5m⁴ by £32.8m. Buckingham has been appointed following a two stage tender process, meaning the actual cost may differ from the Target Cost as subcontractor packages are agreed. The risk of actual cost differing from Target Cost is shared between BCC and Buckingham, although BCC has made prudent contingency allowances for BCC risk that follows professional advice. The risk sharing mechanism is described further in KPMG's Background document report.

¹ Buckingham Group Contracting Limited (2017) Employment and Skills Plan (ESP) for Bristol Arena.(revised March 2018)

² KPMG note that there are no contractual obligations on the Arena Operator, at present, to deliver such activities.

³ BCC costs include client side, project management costs, and risk contingencies. These are costs are set out in further detail in the confidential Background Document.

⁴ Previous BCC budgets for the Arena did not take account of anticipated car parking costs

5.9 KPMG notes that significant public funding support is needed to deliver the Arena: The total development cost of the Arena is estimated at £188.6m, comprising the £156.3m set out above, £16.2m to develop the required car parking facilities for the Arena, a valuation of the land contributed of £12.5m and interest during construction of £3.6m. This will be met by BCC funding contributions of £38.4m (including the land contributed) and net operating cash flow during construction of £5.2m with the remaining £145.0m met through borrowing from the Public Works Loan Board (“PWLB”). The LEP will meet the costs of interest and repayment of £53.0m of the PWLB loans (£65.6m over an 18 year period⁵) with interest and repayment of the remaining £92.0m met from net income from the Arena and car parks. After taking into account the BCC and LEP funding contributions that do not require repayment, the Arena will make a positive financial return, before financing costs, of 2.82% nominal over 25 years in nominal terms. KPMG states that this level of nominal financial return is lower than its estimate of what a commercial investor would require for an investment of this risk (KPMG use a proxy estimate of 6.20%) and below the HM Treasury Green Book threshold for public sector investment appraisal of 5.57% (3.50% real rate adjusted for BCC’s 2.00% inflation assumption). Before any public sector funding contributions the Arena is estimated to deliver a financial return of -0.67% over 25 years. This willingness to invest at a sub-commercial return represents direct financial support. KPMG calculate the value of this support in NPV terms as £36.9m using HM Treasury Green Book rates and £42.1m using KPMG’s estimate of a project specific rate of return of 6.2%⁶.

Figure 1: Estimate of public funding support

£m	Total (nominal)	NPV (Project)	NPV (HMT)
LEP funding support	65.6	29.7	32.0
BCC contributions	38.4	31.3	31.9
Total direct funding support	104.0	61.0	63.9
Value of sub-market investment return		42.1	36.9
Total value of public financial support		103.1	100.8

Source: BCC, KPMG analysis

5.10 KPMG notes that arenas in the UK typically require public subsidy and are not independently profitable at commercial rates of return.

5.11 KPMG notes there is no ongoing revenue cost for the Council: The financial return from the Arena of 2.82% over 25 years, after taking into account the committed LEP funding of £53.0m⁷ and £38.4m of earmarked BCC capital and land contributions, is marginally more than BCC’s assumed long term cost of borrowing under PWLB of 2.80%. This means that the annual operating surpluses from the Arena can meet the cost of the interest and repayment of PWLB debt over 25 years, generating an additional operating surplus of £1.3m in nominal terms over 25 years under current forecasts. With appropriate profiling of debt repayments, there is no ongoing

⁵ The £65.6m LEP contribution comprises funding support of £53.0m plus meeting £12.6m of interest costs due to the contribution being provided over an 18 year period.

⁶ Further detail on the basis for the KPMG estimate of project specific rate of return is contained within the Background Document.

⁷ LEP funding comprised of £53m in agreed funding, plus associated interest costs associated with PWLB loans, estimated at £12.6m per BCC financial forecasts. Total assumed funding is therefore £65.6m

revenue cost for the Council⁸. KPMG note there is very little contingency, margin or profit for BCC. Should gilt rates increase prior to executing the PWLB debt, or additional BCC costs be incurred, an operating deficit could arise.

5.12 KPMG concludes that key risks are backed off to subcontractors but risk for BCC remains: The contractual structure backs off key construction and operating risks to subcontractors, mitigating the Council's risk. In KPMG's view the key commercial risks to BCC are as follows:

- Design risk: KPMG note that the Buckingham Target Cost estimate follows a value engineering exercise to reduce construction cost. This has led to design changes meaning that there is currently no detailed design that matches the revised Buckingham offer. This suggests a greater degree of risk in the Target Cost number than KPMG would ordinarily anticipate at this stage of a project.
- Income and operating risk post year 25: The Arena will be leased to Arena Island Limited ('AIL'), a joint venture between SMG Europe Holdings Ltd and Live Nation UK Ltd for 25 years post completion, with AIL taking the risk of income, operating and maintaining the Arena for that period. £59.5m of PWLB debt (net of MRP reserves) is estimated to still be outstanding at the end of the AIL contract, which would either need to be repaid through sale of the Arena or ongoing income from that point. BCC's estimate of market value of the asset at year 26 is 111% of the debt outstanding. These levels of loan to value are high compared to KPMG's estimate of what a commercial investor would require and given the high level of uncertainty of forecasting 25 years into the future. The future valuation of the Arena is calculated based on the present value of future net income from the asset. This is a reasonable approach, but KPMG note that a valuation of the Arena in 25 years is highly sensitive to changes in operating assumptions over that period.
- Counterparty risk: KPMG state that the passing of financial risk to Buckingham Group and AIL relies on the credit standing of those counterparties relative to their obligations. KPMG has reviewed the financial positions of both parties in the Background Document based on information available from the latest published annual accounts.
- Buckingham is a medium sized UK based contractor, with over £400m in turnover, £62.5m of cash and limited borrowing based on its 2016 audited accounts. This is a reasonable balance sheet position for a company of this size. KPMG understands from BCC that Buckingham continued to grow in 2017, with its audited figures for 2017, due to be released shortly, expected to show increases in both its revenues, profit before tax and cash position. Given the challenges in the UK construction market, the role of the BCC project team in monitoring construction performance and spend takes greater importance.

⁸ KPMG note that in the financial model that BCC provided, the repayment profile of the PWLB loan is shown such that there is a small funding shortfall in years 1-14 and 20-25 of the Arena's operation. KPMG's conclusion is based on the fact that this doesn't have to be the case, if PWLB repayments are sculpted around the receipt of cash from the LEP and Arena Operator. The actual repayment profile of PWLB loans should be considered as part of BCC's overall treasury management strategy and not on a stand-alone project basis.

- AIL is a joint venture between SMG and Live Nation. SMG and Live Nation are two market leading companies in the live entertainment industry, with Live Nation being listed on the NYSE and having a Moody's credit rating of Ba3. Whilst this is not investment grade, overall we consider the risks associated with the operator income as being low or at least mitigated to the extent reasonably deliverable.

- 5.13 KPMG notes that Aecom's work concludes that BCC has taken a reasonable approach to assessing the construction cost and risk of the project, albeit the nature of the contract with a pain gain share mechanism means there is still the potential for cost overruns: Aecom's view is that the build can be achieved within the Target Cost envelope of £122.1m, recommending a further client side contingency of £4-5m to cover any BCC risks under the contract. BCC has provided additional contingency beyond the recommended Aecom level, suggesting a degree of prudence. BCC's maximum potential exposure under the pain/gain share mechanism is £9.15m.
- 5.14 KPMG conclude that the link to wider City vision could be further developed to strengthen the case for the Arena and its proposed location: Looking at the benefits of any major infrastructure or public sector capital project in isolation has limitations, as the economic and social strength of a place relies as much on how different projects complement and reinforce each other as part of an overall vision and plan providing a package of public interventions towards an overall aim. In this case, the Arena's role as part of a wider City Plan and vision for development could be strengthened.

Car Parking

- 5.15 The Council is required to provide 200 car parking spaces for use by Arena Island Limited (the appointed Bristol Arena Operator) as a facility requirement of the Agreement for Lease. Planning consent was secured for these spaces to be temporarily located on the Arena Island site; however following the sale of this portion of land in 2017, an alternative location for these spaces is required.
- 5.16 An options appraisal for the Bristol Temple Quarter Enterprise Zone (BTQEZ), produced by Arup in November 2013, demonstrated that 1-9 Bath Road (known as 'the Kwik Fit site') was the most suitable site for a new car park. To date, only initial feasibility studies have been carried out.
- 5.17 Following the 4th April 2017 Cabinet, Council officers were asked to explore whether additional car parking in the city was needed as part of the Transport Assessment for the Arena project. A study was therefore commissioned to look at this as well as any potential synergies with the Council's city-wide car parking strategy, which was due for review. The report would also inform the approach to be taken on 1-9 Bath Road. The parking strategy is not due to commence until 2019 due to other pressures and the need to agree the Bristol Transport Strategy (BTS) first as the parking strategy will be a sub-section of the BTS.
- 5.18 The high level business cases included taking into account the costs of capital, borrowing, construction and operation and land purchase. The consultant study by CH2M looked at three potential extra parking options, after a review of several previous related studies. The possible scenarios were reviewed looking at sites

within a 20 minutes' walk from the Arena. The Temple Gate car park is being upgraded as part of the council's planned maintenance programme, with 250 additional spaces available through changes to the use of the existing car park. The potential options took this growth into account.

- 5.19 Overall, the report demonstrates that building additional car parking can bring positive benefits to support the Bristol Arena project (which varies according to the option selected) in terms of providing parking solutions for Arena users. It should be noted that car park income cannot be used to directly fund the Arena. It can be used to fund transport expenditure. So in this case it could fund the build costs of the car parks and the other transport infrastructure being built by the Arena (e.g. the A4 Southern Access etc.). Any other income would be used to pay off other transport debts (most likely Metrobus) removing debts from the Council's portfolio. The report does not recommend an increased level of car parking fees for any new car parks, and to be clear it should be noted that there is no intention to raise car parking fees so as to increase revenue. Any income is incidental to the proper application of the relevant policies and can be used for transport purposes.
- 5.20 The report does confirm that the optimum position for the Council would be to take forward a 500 space car park within an appropriate distance of the Arena together with a new car park at 1-9 Bath Road (the latter would remove the need to locate Arena corporate package users at Temple Gate). Officers will take forward further feasibility work related to this project before returning to Cabinet with a worked up proposal. One option is to build on the existing car park at Portwall Lane, though no decision has yet been made and other opportunities may also arise.

The Site at 1-9 Bath Road

- 5.21 The Council's intention to build a car park (of up to 500 spaces) was set out in the March 2016 Cabinet paper, and is shown in the latest update of the Spatial Framework. This project will need to be financed separately from the Arena project and not delivered via the Arena main construction contract.
- 5.22 Feasibility studies for 1-9 Bath Road are complete and show that a 500 space car park could be delivered on the site with payback expected within 20 years. There could be an opportunity to partner with stakeholders in terms of capital funding, delivery, or allocation of spaces via permits. The current view is that it would not be possible to make this car park available to the public on Arena event days. The current proposal is to lease 300 spaces to Network Rail (and provide the operator their 200 spaces as per the Agreement for Lease), which presents opportunities to reduce allocated car park space in and around the station, meaning more high value development can be built there.
- 5.23 The car park needs to be open on day 1 of Arena opening in (2021). The car park does not have planning permission and formal Cabinet approval will be sought for the project when it is sufficiently developed.

- 5.24 The delivery of a car park near the city centre is contrary to Council planning policy on parking, which discourages city centre and BTQEZ car parking, and this would need to be reconciled with the requirement to provide car parking for the Arena.
- 5.25 An option would be to sell the site to a private developer who would then build and operate the car park. This would reduce the initial capital outlay for the project from the Council, but make it very unlikely that the Council would then operate the car park. It could make it more difficult for the Council to control the build project (which has to be ready when the Arena opens), and the Council would have less influence over how the car park is used and risk not meeting its obligations to the Operator. This option has not yet been discounted.
- 5.26 If the Arena project is supported at this Cabinet, further feasibility work will be carried out to develop the project further. One option could be a smaller scale car park of only 200 spaces which would require a lower level of capital funding and risk (but little or no rental income), but meet its obligations to the Operator. If the Arena project is not supported, further consideration will need to be given on whether to take the site forward. A car park could still be the outcome of this consideration.

Car Parking Finances

- 5.27 An estimated £16.2m would be required to finance the capital construction of the two car parks. This is an indicative figure based on initial estimates. High level financial modelling has taken place for the two projects, taking into account the capital required to build the car parks, interest payments, delivery and operational costs etc over 25 years. No residual value has been allocated to them at that point. The additional work at Temple Gate will be funded separately from this project.
- 5.28 There are a number of different ways of financing, procuring, building and operating car parks and the best way to achieve this needs further consideration. Depending on the delivery route, the full capital sums may not be needed. A further report to cabinet will follow including recommendations for the delivery model.
- 5.29 Under these proposals the council could retain control of car park operation and pricing and enhance the existing car parking offer available to Arena users. It would also provide capacity for future growth in or near to Temple Quarter.

CONSULTATION AND SCRUTINY INPUT

- 6 A written update was submitted to OSMB on 7th December 2017, with agreement to return to OSMB on 22nd January 2018.
- 7 On the 22nd January 2018, the Overview and Scrutiny Management Board considered a report detailing the progress made against the recommendations in the previous report to Cabinet in April 2017. (This was an update item only; no decisions were to be taken at the

Cabinet meeting on 23rd January 2018.) The minutes of this OSMB meeting are available here <https://democracy.bristol.gov.uk/ieListDocuments.aspx?Cid=165&Mid=2984&Ver=4>

- 8 On the 8th March 2018, OSMB were provided with a further update report focussing on the KPMG 'Value for Money' report and a briefing from BCC Planning Officers relating to the 'Sequential Test' to be applied to any alternative project proposal. The minutes of this OSMB meeting are available here

<https://democracy.bristol.gov.uk/ieListDocuments.aspx?Cid=165&Mid=2756&Ver=4>

- 8.1 On the 12th April 2018, a report (for information only) was presented to OSMB with the following recommendation:

"That the Board notes that OSMB has requested the value for money report be available for the Board as soon as is possible to enable meaningful scrutiny activity on the pending decision on the arena".

On 11th June 2018, OSMB members were issued with the KPMG Value for Money final reports as commissioned by BCC as follows:

- VfM Studies summary
- VfM Study of the Temple Island Arena
- VfM Study of the Temple Island Arena background papers – Redacted - (members were also allowed access to a hard copy of the unredacted version, which is commercially sensitive)
- VfM Study of the Temple Island Alternative Development
- VfM Study for Filton Arena report

Meetings were held on the 18th, 20th and 22nd June when OSMB members had the opportunity to discuss the reports with the authors in detail. OSMB produced their conclusions in the form of a report on 25th June 2018 which is attached as Appendix C.

Internal consultation

- 8.2 This report was reviewed by the Corporate Leadership Board on 20th March 2018 and again on 29th May 2018. The Mayor is portfolio holder for the project and has been involved throughout the process.

External consultation

- 8.3 No external consultation has taken place, however there has been opportunity for comments and questions to be submitted in advance of Scrutiny, Full Council and Cabinet meetings. All consultation required has taken place as part of previous cabinet decisions.

9 RISK MANAGEMENT AND ASSESSMENT

9.1 Risk on the project is managed via a number of risk registers. The general risk register (Redacted) for the project is included as Appendix D. In addition health and safety risks are captured in another register and construction risks are managed via the contractor's NEC risk register. The Project Team reviews the general risk register monthly and a risk workshop has taken place every six months up until this year.

9.2 Figure 1 outlines the 4 Red risks on the project team's risk register associated with the present status of the project;

FIGURE 1
The risks associated with going ahead with the Bristol Arena project:

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	CURRENT RISK (After controls)		RISK OWNER
		Probabilit y	Impact		Probabili ty	Impact	
		1	Risk 306: the council does not fund the project and an alternative scheme for Temple Island is approved by Cabinet instead of the Arena.		VERY HIGH	VERY HIGH	
2	Risk 279: Cost implications of programme delay due to extended BCC decision making periods.	VERY HIGH	VERY HIGH	Continue to escalate the consequence of delay via the internal governance route (Project Board / Corporate Leadership Board meetings). Ensure we present comprehensive reports to the Board to detail and update on the project status.	MEDIU M	HIGH	PROJECT DIRECTOR
3	Risk 313: Planning Permission-detailed planning permission expires in April 2019. A fresh planning application would be	HIGH	HIGH	Escalate risk to Project Board (August 2018). Engage with contractor to discharge pre-commencement conditions post cabinet	MEDIU M	HIGH	PROJECT DIRECTOR

	required if the relevant pre-commencement conditions are not discharged and a material start on site achieved prior to this date.			meeting on 4.09.18			
4	Risk 285: Risk that the Buckingham led VE does not achieve sufficient cost reduction to meet the budget position agreed at September cabinet (if the project is approved)	MEDIUM	VERY HIGH	Ensure the VE design is suitably developed to enable Operator to accept and 'sign off' without caveat prior to target setting and BCC/Operator requirements are 'back to back' with Buckingham scope. Delegate cost decision making to BCC Project Director with full Project Board confidence and availability to resolve any internal BCC cost / design challenges. Widen the scope of cost reduction items if it looks like targets will not be met.	LOW	VERY HIGH	PROJECT DIRECTOR

Risk Management Approach

- 9.3 The BGCL Target Cost has a contract risk register, which allocates a £10m sum to cover all the project risks, split between Employer and Contractor risks. The Project Team (and its consultants) considers this sum sufficient for this stage of the project. The amount forms part of the Target Cost. The council will work with the contractor to reduce this risk allocation to the benefit of both parties.
- 9.4 In addition to this, an allocation has been made to cover exposure to the council from the Pain/Gain share mechanism in the contract. This is commercially sensitive and included in Appendix J1. Please note that there is a possibility that a gain share outcome will be achieved where the Council would benefit from the contract coming in under the target sum and as well as not utilising this Pain/Gain Mechanism contingency would benefit from a share in gain achieved (See Section 4).
- 9.5 Finally, the council will also need to provide a sum of money to cover any changes to the contract or contractor claims during the construction period. AECOM briefed the Project Board on this in March 2018, and the Board agreed an appropriate sum, which has been included in the VfM Study report and also the financial model for the project. KPMG's assessment of BCC contingency allowances concluded that 'BCC has

provided additional contingency beyond the recommended Aecom level, suggesting a degree of prudence'. As per 9.4 above, the amount remains commercially sensitive and as such is included in Exempt Appendix J1.

- 9.6 Cabinet should note the total combined risk allocations mentioned in 9.3, 9.4, and 9.5 as a proportion of the Target Cost for the project given its status and the work in tendering to date carried out by the contractor.

Contamination and Remediation

- 9.7 The site has a history of former contaminative land uses including railway yards, engine sheds and a large refuelling depot. The Arena Planning Permission 15/06069/F includes Conditions 12 and 13 which relate to contamination and remediation. The site has been subject to previous remediation to a level designed to be suitable for hard covered mixed-use commercial and residential end-use comprising soil washing (2007 to 2008) and free phase oil recovery by pump and treat (2008 to 2010).
- 9.8 Construction of both the arena and the access and supply road will involve piling through made ground and Tidal Flat Deposits and into the underlying bedrock. Piling has the potential to mobilise residual contamination present in the deeper ground, which was not fully removed from previous pump and treat works. BGCL are required under the building contract to take all reasonable steps to prevent this historic contamination migrating into the River Avon.
- 9.9 For this purpose and discharge of planning conditions 12 and 13, BGCL have appointed Roundhay Environmental Consulting Ltd to prepare a Groundwater Quantitative Risk Assessment and Remediation Strategy for the site.
- 9.10 Proposals include use of CFA piling to cause minimal ground disturbance and creation of a permeable barrier along the river edge consisting of ground injected oxygen release compound to enhance dissolved phase hydrocarbon degradation for the purposes of preventing migration of historic contamination from the Site into the River Avon.
- 9.11 The Council has elected to retain responsibility for the cost risk of any additional remediation measures required if those approved when implemented are not successful in preventing the historic contamination from the site being mobilised into the River Avon. An Employer's Contingency sum has been allowed for this and other risks that sit with BCC under the building contract.
- 9.12 The risk of contractor default is covered in the KPMG report. This is a standard construction risk. The council considers BGCL to be a low financial risk. The council has Bonds to the value of £7m to offer protection in the event of contractor default.

10 OPTIONS APPRAISAL

- 10.1 At this stage there are four options open to the council:

- A. Continue with the project as recommended by this report;
- B. Continue the project, based on a new Contractor procurement;
- C. Continue the project, based on a different scheme on the same site;
- D. Stop the project and proceed with an alternative proposal for Temple Island that does not involve an arena.

Option A: Continue with the project as recommended by this report

10.2 This is the option set out in this paper, to proceed with an Arena at Temple Island.

Option B: Continue the project, based on a new contractor procurement

10.3 The Council could re-procure the current project to seek to and achieve additional cost savings and risk reduction via a competitive tender process. Under this option the Council would need to undertake the value engineering design work without the support of a construction contractor, the Council would also need to review the best form of contract to use prior to re-engaging with the market. Re-procurement would require soft market testing with contractors, creating further delay to the project. There is no evidence that the funding gap could be bridged via a re-procurement. Therefore this option is **not** recommended.

Option C: Continue the project, based on a different scheme on the same site

10.4 The Council could decide to deliver a smaller scale project on the site. This would be problematic if the decision was to try and use the existing procurement exercises (i.e. for the Operator, contractor and design team) to deliver a different project. It is unlikely that the existing procurement exercise for the contractor could be utilised (the OJEU Notice is prescriptive and there is limited scope to deviate from it). If the Council was to start with a fresh brief this would take a number of years to develop and it would be necessary to review the Outline Business Case stage and submit a fresh planning application. It is likely that a large proportion of the approx. £12.5m spend to date would be abortive under this option.

10.5 The size, shape, internal seating / stage configuration, commercial offer and 12,000 capacity of the Arena were all determined through an extensive and thorough research and procurement process including soft market testing with the all the main arena operators. These parameters support the Arena Business Case that was successfully tendered to secure an Operator and a venue capable of attracting world class international entertainment, music and sporting events to Bristol. It is therefore difficult to see the potential benefits of a smaller scale project for Bristol and clearly any reduction in size would lead to a proportionate reduction in rental income revenue. The impact of reduced rental streams, inflation and project development costs would reduce any benefit. This option is therefore **not** recommended.

D. Stop the project and proceed with an alternative proposal for Temple Island that does not involve an arena.

10.6 This proposal is covered separately in Appendix A2.

10.7 The current procurement process to build an Arena at Temple Island would come to an end. The Council would need to close down its existing contractual relationships with the building contractor, operator, design team and wider consultant team. The internal council project team would be disbanded and allocated to other projects. A summary of contract status is provided below and also in Exempt Appendix J4:

- a) The PCSA with BGCL is presently suspended and has been extended twice, now to 18th September 2018. Further detail is supplied in the Legal Appendix.
- b) The condition period in the Agreement for Lease with Arena Island Limited (the Operator) has been extended until 7 October 2018. Further detail is supplied in the Legal Appendix.
- c) There is no financial impact of ending contracts with other consultants, including the Populous-led Bristol Arena Design Team.

10.8 Planning Risk - The current planning permission expires in April 2019 and if the project ends then the planning permission will expire at the beginning of April next year.

10.9 The benefit of a large proportion of the £12.5m of Arena development work already completed would essentially be abortive. The Operator rental generated by the project would be lost. Bristol and the sub-region would lose the opportunity of delivering a key cultural facility and the economic benefits to the city created by this project would not be realised.

10.10 There could be a reputational impact on Bristol City Council.

10.11 This option is **not** recommended if cabinet are to support Option A.

11 FURTHER INFORMATION FROM KEY OFFICERS

Public Sector Equality Duties

11.1 An Equalities Impact Assessment has been carried out previously on the project. A revised EqlA is included as Appendix E.

Eco Impact Assessment

11.2 An Eco Impact Assessment has been carried out previously on the project. A revised EIA is included as Appendix F.

Finance, Resource & Legal Implications

11.3 Financial and Legal comments are provided in separate Appendices.

Land / Property Implications

- 11.4 Whichever of the schemes are approved, the adjacent new Temple Quarter University of Bristol (UoB) Campus will remain a continuing and unaffected project. To ensure UoB's project proceeds both on Cattle Market Road and Arena Island, negotiations are taking place currently with Homes England (HE) and the previous owners of the Cattle Market Road Site. The negotiations with the previous owners have resulted in an in principle settlement, which is currently being legally documented. The negotiations with HE relate to the release of Overage and Options agreements. Negotiations are complete with Homes England and legal documents are being agreed with them. This should result in the completion of acquiring rights of access across the Brock's Bridge, which should then ensure that the Council is in full control of access to Temple Island. The council will adopt the Bridge.
- 11.5 Please refer to Section 4.21 regarding the provision of site compounds for the project.
- 11.6 It is important to confirm to Cabinet that Homes England benefitted from an Option to purchase back the development land earmarked for the Arena on Temple Island if development had not proceeded by a specific date. Through the negotiations with Homes England regarding UoB's proposed development on Arena Island, it has been ascertained and agreed with Homes England, that the longstop date permitting Homes England to buy back the specific area proposed for the Arena development land has now expired. Homes England can therefore not opt to buy back the Arena development land if further delay takes place in the delivery of the Arena or any alternative development. Cabinet are therefore able to consider all recommendations set out in this report without the possibility of Homes England able to exercise their buy back option on the land currently set aside for the Arena development. It is worth noting however that the proposed UoB development land on Arena Island does still have an existing buy back option for the benefit of Homes England which has not yet expired. The Council has negotiated the removal or extension of this option with Homes England to ensure the UoB development can be expedited and legal documentation is nearing completion.

Advice given by: Joe Jeffrey (Service Manager, Property Development)

Date: 21.08.18

ALTERNATIVE DEVELOPMENT SCHEME AT TEMPLE ISLAND: APPENDIX A2: Further essential background / detail on the proposal:

1 PURPOSE OF REPORT

This Cabinet paper has been prepared to appraise the Mayor and Cabinet of the progress and status of the possible alternative scheme of development at Temple Island.

At OSM, the level of detail and supporting information for the Alternative Scheme was questioned. The project team has carried out additional soft market testing with private sector partners. This has confirmed that it would be possible to increase the density and incorporate a conference centre and hotel.

2 RECOMMENDATIONS AS IN THE EXECUTIVE SUMMARY / DECISION PATHWAY

If the decision taken by the Cabinet is to proceed with the alternative scheme, then the recommendations are as listed below:

1. The Council will not progress with the proposition for an Arena on Temple Island
2. The Council will continue to work with partners to develop a mixed use scheme on the Temple Island site, with a view to coming back to cabinet. The scheme could include:
 - i. A bespoke Conference Centre and 4/5* hotel facility
 - ii. Commercial space with the supporting retail offer
 - iii. Residential units, including a policy compliant level of affordable housing
3. To develop a business case for the re-allocation of the £53m to other targeted schemes, from the Economic Development Fund (EDF), for submission to the West of England Local Enterprise Partnership (LEP) for approval.

3 THE PROJECT

Background

- 3.1 Bristol is the only Core City that does not have a major Arena. Neither does it have a major bespoke conference venue.
- 3.2 Initial work found that there was strong demand for a Conference Centre in Bristol and suggested that if a suitable venue were available, the facility would be expected to attract conference events and deliver significant economic impact for the city, based on the city's appeal and brand strength.
- 3.3 Since the original arena proposals were developed, the University of Bristol (UoB) has purchased a portion of the Arena Island site and the former Post Office Sorting Depot. The University is planning to develop a new campus with a focus on educating post graduate students in digital technologies and outline planning consent was secured in July 2018.
- 3.4 The UoB has also expressed interest in working with BCC to use any conference facility developed on the Temple Island site as a continuation of their educational offering in the area. This could lead to discussions about BCC setting up a partnership to manage and operate any conference facility developed as part of an alternative scheme on Temple Island.

Proposal

- 3.5 Optimising the development opportunity on the Temple Island site is a key Mayoral and political objective. The alternative scheme has strong in-principle stakeholder support from the Bristol Initiative, the University of Bristol and Destination Bristol.
- 3.6 Since completion of the initial scheme, BCC has been working with L&G to develop an alternative scheme which has an increased density to complement the UoB proposed scheme and includes a Conference Centre and Hotel, as well as Office, Retail and Residential space.
- 3.7 BCC has also been in discussions with NEC (a conference centre operator) and the UoB about the operation of the conference facility, and both are interested in working with BCC to develop a robust funding and operational model for the Conference Centre that will feed into the business case.
- 3.8 The alternative scheme proposal will provide a number of homes and will seek to deliver a policy compliant level of affordable housing which supports the Mayor's vision for increasing the number of homes in the city.
- 3.9 The proposal will also provide a vibrant and lively urban environment with improved permeability through to future development sites to the East and South of Bristol, which would be consistent with both existing and emerging planning policies.
- 3.10 There is still work to be carried out to optimise the development opportunities, to understand the economic benefits and finalise a deal with a private sector partner, and this is to be expected at this stage of development.

4 ALTERNATIVE MIXED-USE SCHEME AT TEMPLE ISLAND

- 4.1 The alternative scheme developed by BCC, which informs the KPMG VfM report, includes the following development mix and quantum:
- 460 residential units
 - 26,000 sq m of mixed use commercial floor-space, which could include office, retail and hotel space, as well as a conference centre and business incubation space
- 4.2 During the previous scrutiny sessions, the OSM committee expressed concern at the lack of detail and information provided around the alternative proposals. Therefore, following OSM, work was undertaken on the Social Value element and BCC has been working with L&G to develop an alternative scheme.
- 4.3 The initial L&G scheme has an increased density to complement the UoB proposed scheme and includes a Conference Centre and Hotel, as well as Office, Retail and Residential space. See indicative areas below, which will be finalised during the next stage of development:
- Office 23,000 sqm
 - Retail 2,500 sqm
 - Residential 50,000 sqm
 - Conference Centre 10,000 sqm

- Hotel 16,000 sqm

- 4.4 It should be noted that the KPMG VfM report for the alternative scheme, issued prior to the OSM meetings in June 2018 has not been updated with this information. KPMG has not undertaken an assessment of the updated plans.
- 4.5 A substantial amount of work has been undertaken in the past relating to this site, so the Council would be able to draw on this well-developed and existing material in order to inform the alternative scheme proposals.
- 4.6 Given the location and prominence of the site, the alternative vision for the arena island site would focus on delivery of an alternative scheme as a vibrant and dynamic mixed use development at the heart of Temple Quarter. The alternative scheme could incorporate a wide range of uses – including commercial, residential and retail uses, as well as a conference centre and hotel – and will work alongside the University of Bristol’s existing proposals for student residential development on the northern portion of the site.
- 4.7 The proximity of the site to the University of Bristol’s new Enterprise Campus, and the developing commercial and residential communities around Temple Quay, would enable opportunities for an alternative scheme to enhance the offer of this new quarter of the city. It will act as both a catalyst for future redevelopment to the east of the station and a fitting gateway to this area of the city.
- 4.8 The work undertaken by BCC since OSM has concluded that in order to maximise the value and economic benefit of the site, above that originally proposed in the BCC scheme, the following should be included:
- Further office accommodation and modest retail provision to serve the community, as well as an increased amount of affordable housing
 - A bespoke Conference and Hotel facility which would improve the economic benefit for the city as it increases the number of bed nights and spend, when compared to an arena. It has been calculated that a Conference Centre could produce up to 30% more bed nights than an Arena
- 4.9 There is anecdotal evidence, from a scheme in Melbourne, Australia, that an arena can act as a barrier to future development and growth and it is felt that a mixed use scheme, that would make the site a 24/7 destination, would improve permeability through to future development areas.

5 REVIEW OF VALUE FOR MONEY (VfM)

- 5.1 KPMG was appointed in January 2018 to undertake a VfM study for the alternative Temple Island development. This would enable a direct comparison with the Arena on Temple Island.
- 5.2 As stated above the original VfM report has not been updated but further work will be required prior to submission of the Business Case to cabinet for approval.
- 5.3 KPMG’s summary conclusions from the KPMG VfM report, for the alternative scheme at Temple Island, are listed below. It should be noted that these conclusions should not be viewed in isolation.

The full KPMG VfM reports should be viewed in full to understand the scope of analysis (including what impacts have or have not been captured in the value for money assessment) and caveats and assumptions to the analysis which must be taken in to account when interpreting the results.

Alternative Temple Island Development - summary conclusions

KPMG notes that the alternative development plan for Temple Island is still in relatively early stages of planning resulting in only limited data and information being made available to KPMG for the purposes of its study. This is not unusual for a project at this stage of development, however, as a result we have only conducted a high level review of the proposals for the site and our assessment can be viewed as indicative only and should be noted when comparing the proposition against the assessment of the Temple Island arena.

Potential for wider objectives of BCC to be met through the alternative developments proposed for Temple Island: KPMG states that the alternative development at Temple Island has the potential to contribute towards the wider objectives of BCC, for example housing and economic and social connectivity. In addition, the alternative development at Temple Island has the potential to meet BCC's specific objectives for the Temple Island site and contribute towards the BTQEZ employment targets.

Potential for higher economic impact of the alternative developments on Temple Island compared to an arena: KPMG states that based on the scope of our quantitative analysis, we have estimated that the construction and the operation of the Temple Island development could generate £935.0m in net GVA (in NPV terms) and 2,101 FTE jobs in the West of England over 25 years. This net GVA is £343.9m higher than the net GVA estimated for the Temple Island Arena.

Lower public sector funding requirements, although uncertainty attached to this: KPMG states that at present, BCC has stated to KPMG that the development would be brought forward by the private sector. No new public sector funding would be required to bring this forward, although up to £25.6m of existing public sector funding allocations specifically linked to the Temple Island site could be available if required, depending on the outcome of BCC's commercial negotiations with potential private sector developers. KPMG considers that further work will need to be undertaken by BCC to assess whether the development plans would be commercially viable for the private sector to deliver and to confirm the required level of public sector funding. KPMG notes that a mixed use scheme is a common approach to city centre development and offers a reduced risk to BCC than developing an arena on the site, albeit the proposals are at an earlier stage of development.

Comparatively higher VfM metrics of the alternative developments on Temple Island compared to an arena: KPMG states that based on the scope of quantified economic impacts, it estimates that the alternative development proposals could deliver a BCR of 23.0:1 and economic NPV of £837.2m over a 25 year period. This compares to an estimated BCR of 3.2:1 and economic NPV of £282.6m for the Temple Island arena over a 25 year period. In purely economic terms the alternative Temple Island development would be preferred over an arena on the site.

Comparison of the value for money metrics for the Temple Island Arena and the alternative mixed-use development, over 25 years

	Temple Island Arena	Alternative Temple Island Development
Total net GVA (in NPV terms)	£489.1m	£875.3
Capital costs / public sector contribution	£172.5m	£38.1m
BCR	3.2:1	23.0: 1
NPV	£282.6m	£837.2

6 CONSULTATION AND SCRUTINY INPUT

Internal consultation

6.1 This report was reviewed by the Corporate Leadership Board (CLB) on 29th May 2018. The Mayor is portfolio holder for the project. The Mayor has been briefed on the status of the project.

External consultation

6.2 No external consultation has taken place.

7 RISK MANAGEMENT AND ASSESSMENT

7.1 Below is an initial draft high-level single risk register which will be further developed during the next stage of the design processes for both the projects.

7.2 Figure 1 outlines the risks associated with proceeding with the alternative scheme on Temple Island.

FIGURE 1

The risks associated with taking forward alternative development proposals for Arena Island:

No	RISK Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES Mitigation (i.e. controls) and Evaluation (i.e. effectiveness of mitigation).	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	The plans for an alternative development on Arena Island are at an early stage, offering limited certainty on what can be delivered and by when. Therefore the delivery of economic benefits and the regeneration of the Arena Island site are not certain.	HIGH	HIGH	Urban design work will be undertaken to develop a baseline development scenario, to inform plans for the future development of the site. Some “soft market testing” with L&G has reinforced our view that the scheme would achieve the Strategic Objectives, be deliverable and in line with BCC’s requirements to maximise the economic benefit and increase vibrancy and	LOW	LOW	

				permeability.			
2	The extent of BCC and/or other public sector investment in the site required to enable an alternative scenario to come forward is unknown.	HIGH	HIGH	Site investigations will be undertaken to inform both a baseline development scenario and any proposals taken forward by the private sector, identifying any infrastructure and site preparation required. Advice from construction cost advisers will be secured to ensure that any works are priced to deliver best value. BCC to consider option of capping any financial contribution to site preparation.	MED	MED	
3	Planning permission will be required for any alternative development on the site. The site is currently identified and has planning permission as the location for the Bristol Arena.	HIGH	HIGH	Planning of an alternative development on Arena Island is inherently linked to the planning permission granted to UoB on the adjacent sites. Proposals for mixed use development will be in keeping with BCC's aspirations for Temple Quarter and the emerging masterplan for the Temple Meads area.	MED	LOW	
4	Public and political pressure due to the continually changing Arena location and delivery may stymie the taking forward of alternative development proposals for Arena Island.	HIGH	MED	BCC's decision on the best use of the Temple Island site will confirm if an Arena is to be built at Temple Island. If the decision is not to proceed with an Arena, on Temple Island, then other locations and opportunities will come forward.	MED	LOW	

8 FURTHER INFORMATION FROM KEY OFFICERS:

Public Sector Equality Duties

8.1 An initial relevance check for the EqIA is included in Appendix E.

Eco Impact Assessment

8.2 An initial Eco Impact statement is included in Appendix F.

Finance, Resource & Legal Implications

8.3 Financial and Legal comments are included in separate Appendices.

Land / Property Implications

8.4 Due to the lack of information and detail in relation to the alternative scheme at Temple Island, this section has not been completed.

Human Resources Implications

- 8.5 Due to the lack of information and detail in relation to the alternative scheme at Temple Island, this section has not been completed.

Cabinet

Supplementary Information



Date: Tuesday, 3 July 2018

Time: 4.00 pm

Venue: The Council Chamber - City Hall, College Green, Bristol, BS1 5TR

Distribution:

Councillors: Mayor Marvin Rees, Nicola Beech, Craig Cheney, Asher Craig, Kye Dudd, Helen Godwin, Helen Holland, Anna Keen, Paul Smith and Mhairi Threlfall

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Date: Monday, 25 June 2018



Supplementary Agenda

6. Reports from scrutiny commission

(Pages 3 - 60)



REPORT OF THE OSM BOARD TO CABINET RE THE ARENA VFM STUDY OUTCOMES

1. KEY CONCLUSIONS AND COMMENTS TO CABINET AS SUMMARISED BY THE CHAIR, COUNCILLOR GOLLOP

There appears to be a fair degree of consensus amongst members and across parties. We see that the proposed Arena at Temple Meads is a fully developed project that is ready to start, and that the alternative proposal is very much at its early stages.

We see that KPMG indicate that the potential benefits are greater from the alternative site and alternative use for Arena Island, but KPMG also state that the risks attached to the alternative projects have not been quantified and that has to be considered by the Mayor in making his decision.

We sense that officers favour the Filton proposal. Whilst we understand that in that scenario YTL take the project risk, Members also see that they are the main beneficiary of the significant infrastructure investment.

It is the considered view of OSM members that;

- *The existing Arena figures are cautious*
- *The Brabazon Arena figures are optimistic*
- *Insufficient attention had been paid to social value in concentrating purely on value for money*
- *Environmental impact has been ignored in terms of the Filton proposal*
- *An arena for all of Bristol requires accessibility for all and that case is not proven at Filton*
- *The Arena Island proposal is close to being “shovel ready”*
- *The needs for planning, traffic planning and infrastructure at Filton mean the time line is much longer than the Temple Meads proposal*
- *We urge the Mayor to meet with the OSM party leads to discuss our report before concluding his decision*
- *The sale of the land for the university campus at Temple Meads has damaged the economic case for the Arena. The site is now smaller and there is reduced opportunity to boost the economy of the area, part of which forms one of Bristol's most deprived wards.*
- *Members were encouraged by YTL's vision for the Filton site, however, there were many details still to be confirmed as the scheme is only at an outline stage. In particular the major caveats in relation to planning permission (the sequential test) and the delivery of essential transport infrastructure.*
- *The delayed publication of Value for Money reports created unnecessary pressures on officers and scrutiny to complete their work*
- *There is little or no time for the Mayor to take note of the views of scrutiny before his decision is published on Monday*

Members are finding it hard to understand how the Filton project with so much uncertainty can be compared with the detailed information available at Temple Meads and are concerned that choosing Filton will delay the arena for many more years (and risk that it could be stopped by YTL at any time with no ability to influence by the City Council).

One of the biggest concerns from Members was the imminent planning decision on Cribbs Causeway. Members are concerned that relocating the arena to Filton could signal the demise of Broadmead for retail and leisure and the transfer of trade to South Gloucestershire.

Whilst not a unanimous view, 10 out of 11 Members of the Board agreed on the substantive issue that Arena Island is the only viable option for Bristol's arena.

In conclusion I quote from the last paragraph of KPMG's 3rd Report

- 1. 'There is considerable difference in the stage of development of the plans for the propositions and the details on which the assessments are based. In comparison to the Filton Arena development, the Temple Island Arena is a well-developed project and as a result could be considered, at this point in time, to be more deliverable.'***

On behalf of the members of OSM, can I particularly thank;

- Colin Molton and his team for their detailed work, the speedy response to detailed questions and the way they have approached this series of meetings*
- Denise Murray and Chris Holme for their independence and professionalism*
- Lucy Fleming and the scrutiny team for keeping us going and for ensuring the webcast worked and all the behind the scenes support*
- KPMG for a robust response to our questions*
- Representatives of Buckingham, Arena Island and YTL for attending and answering our questions*
- The media and members of the public in the gallery or watching on the internet and other members of Council for showing such interest in this critical issue*

Background

1. The Mayor's forward plan, as published on 4 June 2018, advised that a key decision would be considered at Cabinet on 3 July 2018 regarding the Arena. In terms of detail, the forward plan stated that the Cabinet would consider an "Update on Bristol Arena." The Cabinet report is due to be published on 25 June 2018.
2. In April 2017, Bristol City Council commissioned a value for money review of the proposed arena project in Temple Quarter. This review was later expanded to include a potential alternative site in the north of the city and a potential alternative development scheme at the Temple Quarter site.
3. In advance of the 3 July Cabinet meeting, OSM has met to review the following specific documents resulting from the commissioned VFM review:
 - a. KPMG report - Bristol Arena Value for Money (VFM) Assessment summary conclusions.
 - b. KPMG report - Temple Island Arena VFM Assessment.
 - c. KPMG report - Assessment of alternative development plans for the Temple Island site.
 - d. KPMG report - Assessment of alternative plans for an arena in Bristol.
 - e. KPMG report – Temple Island Arena VFM assessment – background document – redacted version.

The above documents can be viewed at this link:

<https://democracy.bristol.gov.uk/ieListDocuments.aspx?CId=165&MId=3205>

Note: OSM Board members were also (under the Council's managed access to exempt documents procedure) given access to the un-redacted version of the document referred to in e. above, which contained some commercially sensitive information.

4. OSM received a number of statements and questions as part of the public forum arrangements. The statements from Arena Island Limited, Buckingham Group are appended at Appendix A. The questions and replies can be found at Appendix B.

Structure of OSM Board Meetings to Review the Arena VFM Study Outcomes

An overview of each session is set out below, including a summary of key points at the conclusion of each session which OSM Board members agreed should be considered in formulating their report to Cabinet.

All 3 sessions were webcast and the discussion can be accessed in full from this link:

<https://www.youtube.com/channel/UChYwQT6nK-mPU3K8bYsZ17g>

Due to the extensive detail that needed to be considered, the OSM Board's scrutiny of these reports took place over 3 structured sessions:

1. Session 1: 4.15 – 7.00 pm, 18 June 2018

- At this first session, the Board received 16 public statements. These are set out at Appendix A. Those present were invited to present their statements to the Board.
- The Board also received a wide range of questions that had been submitted, from both members of the public and councillors.
- The Board was collectively impressed by the quality of the statements and questions received, noting that these were invaluable in assisting OSM with their interrogation of the VFM study outcomes.
- Over the course of the session, extensive time was taken in allowing questioners, OSM members and other councillors to hear verbal replies to questions. Depending on the nature of questions, replies were given as appropriate by KPMG representatives, the BCC Arena team, or the BCC Finance and Legal Directors. A very full opportunity was given for supplementary questions to be asked.

2. Session 2: 4.00 – 7.00 pm, 20 June 2018

At this second session, the Board focused on:

- Alternative proposals for the Temple Meads site.
- Further questions to KPMG and officers.
- Questions to the contractor, Buckingham Group, with particular reference to the statement submitted by Buckingham Group.

3. Session 3: 10.00 am – 1.00 pm, 22 June 2018

At this third session, the Board focused on:

- Questions to the operator, Arena Island Limited, with particular reference to the statement submitted by Arena Island Limited.
- Questions to YTL

Summary of Additional Comments Raised Over All Three Sessions;

- The location of the Arena was a strategic decision with long term and wide reaching implications for the city.
- Further delaying the scheme will put the costs up again and potentially bring reputational risk to the Council.
- Concern that if the Arena Island site was halted the negotiating position of the Council regarding any future schemes could be compromised.
- A firm proposal (Arena Island) was being compared with two high level estimates (Brabazon and the mixed use of Arena Island). Risk criteria – it is easier to measure risk on a well-developed proposal; it is more difficult to do this on high level proposals.
- There are concerns about no clear answers being available to explain why the cost of the Arena Island proposal is higher.
- The LEP funding situation and the position / requirements regarding the reallocation of £53m LEP funding that would need to be followed if a decision was taken to halt the Arena Island project and support the Brabazon option. Specifically, Members wanted assurances that the funding could be transferred to the Filton site.
- Leakage figure regarding benefits to north Bristol / South Gloucestershire – is this figure right? Is there potential for more leakage to South Gloucestershire given the site is virtually on the boundary between the two authority areas?
- The wider “catalytic” economic impact of either site is not fully measured.
- The building of an arena at Filton will add value to the YTL site, but not so in the case of the building of an arena at the Arena Island site (given the sale of land for the University of Bristol campus).
- That situating the Arena at Filton, in the north of the city, would result in further disadvantage to the residents of south Bristol in terms of access to employment and culture as well as the general potential benefits from regeneration.
- Both KMPG and officers confirmed that building the Arena at Arena Island would not impact on the Council’s wider revenue budget.
- The Arena Island site was anticipated to be completed by 2020, but it would be at least 2022 until an Arena could be provided at Filton.
- The operators of the Arena Island site had offered to make further savings to their offer.
- YTL would take all of the building risks at the Filton site but they would fall to the City Council at the Arena Island site.
- Queries were raised about some of the data underpinning the modelling. Members were also interested to know if other modelling could be carried out, without involving significant cost?
- There were comments about the alternative development for Arena Island being a potentially ‘bland’, generic, mixed use scheme.
- There was concern about not always receiving objective advice in response to questions asked of some officers.

- It was confirmed by KPMG that the GVA had not been risk adjusted on the Filton site.
- It was felt that the sale of land to the university could be interpreted as a missed opportunity in terms of mixed use being developed around the Arena Island proposal.
- The importance of social housing in the city centre was recognised.
- Buckingham Group (contractor for the project) are committed to identifying further value engineering cost reductions against the target costs. The existing Arena figures seem to be too cautious.
- Concerns were raised about the terms of reference for the VFM Reports being too narrow.
- It is noted that Buckingham Group have a tool for undertaking a social value assessment – undertaking such an assessment should be considered (it is noted that KPMG were not in a position at this meeting to be able to offer any comment on this methodology).
- Further information should be circulated about other projects delivered by Buckingham Group, i.e. including evidence of previous completed projects and timelines.
- There appeared to be optimism bias in a range of areas in relation to the Filton arena proposal – for example regarding delivery of any railway infrastructure and attendance figures.
- Members thought a conference facility could be provided as part of the Arena Island development, as often found elsewhere.
- A series of meetings were necessarily being held to respond to these reports at very short notice - the lead-in time for this is too short; the substantive reports were not published until 10.00 pm on 11 June – the people of Bristol have not had a proper opportunity to be here and participate.
- OSM has been waiting a long time for these reports – the Chair previously submitted comments to Cabinet on behalf of OSM asking for this information – but the report was only available at the “last minute”. The effective scrutiny of such reports requires sufficient time for questions to be asked and written responses given - the process had necessarily been truncated.

Appendix A – Statements from Arena Island Ltd, Buckingham Group and YTL

Appendix B – Questions and Answers

Arena Island Ltd. Statement for Overview and Scrutiny Management Board meeting Monday 18th June, 2018, 4.15pm.

This is Arena Island Limited's response to the KPMG value for money assessments. We are grateful to the Board for considering this statement at the extraordinary meeting. We believe that this statement, and our commitment to the Temple Meads Arena project speaks for itself, and we do not want to be seen to be influencing the Board's decision in any way. That said, we are happy to answer any questions that the Board may have, or provide additional information, prior to the next meeting. In addition, we would be happy to arrange for a representative of Arena Island Limited to attend the next meeting to address any outstanding queries the Board, or the people of Bristol, may have.

Who is Arena Island Limited?

- SMG and Live Nation, as their joint venture Arena Island Limited, are the leading arena operators in the UK and globally. We have extensive experience in successfully building, managing and running arenas all over the world. Together we run and operate six music arenas in the UK including Manchester Arena and Cardiff Arena, as well as being the main venue operator for smaller live music venues through the Academy group of venues.
- Arena Island Ltd. won the formal tender to build the Bristol Arena at the Temple Island city centre site in 2014. Since then £12.2m has already been invested in preparing the site for the arena. As these costs are now sunk they should not form part of the comparison in making a decision about which site should be chosen from this point forward.
- The model agreed for Arena Island is one where the Council is the landlord and over the time of the lease Arena Island Ltd. pay rent to the Council each year; that rent being indexed for the duration of the lease. This means that the rent plus residual value of the asset at the end of the lease will fully repay any borrowing secured by the Council for the construction.
- In that time, the arena will have generated fantastic cultural and economic benefits for the people of Bristol, with a state of the art facility that will attract the best live music acts to the city.

Inconsistencies with the KPMG Report:

- We are disappointed by the lack of rigour from KPMG, given that the reports have been five months in the making. We had hoped that the YTL proposal would have been interrogated further.
- Our main concern with the KPMG reports is that they are not comparing like with like. On the one hand, Bristol Council has a fully tendered and publicly procured project, market tested and fully understood and supported by a fully experienced team.
- In stark contrast, the Filton site is in its infancy; it has not been subject to a procurement process, the only information provided in relation to its proposal has been provided by YTL direct, and appears to be taken at face value. YTL, whilst undoubtedly an experienced developer, does not have experience in the live entertainment sector nor do they have any experience of successfully managing arenas. Because of the importance of the decision facing the Board, and the long term impact this will have on the future of Bristol, we firmly believe that

the projections provided by YTL in relation to attendance figures, event numbers, and wider socio economic impact on the City, should be independently tested.

- The report compares the Bristol Temple Island site with an alternative mixed use site on Temple Meads and the Filton Arena site. However, it doesn't make the same comparison with a backfill for Filton site along with an Arena on Temple Meads. Surely the same comparison for land use should be made at both locations?
- The alternative use of the Temple Island site is speculation, with no commitment from any potential occupiers. Arena Island Ltd. have already entered into an Agreement for Lease with Bristol County Council on the Temple Island site which is commercially viable and will not result in a cost to the Bristol taxpayer. The process of Bristol County Council agreeing any terms with YTL hasn't even begun.

Something not considered within the KPMG Report:

- In December 2017, by which time Arena Island Ltd. had been advised that the costs had escalated whilst Barra Mac Ruairi (until recently COO for YTL) was heading up the project, we met with Colin Molton (Executive Director of Growth and Regeneration) and offered to help assist with the cost increase, so that Bristol taxpayers weren't impacted by the extra costs.
- Some of the cost increases were not related to the Arena or requested by Arena Island Ltd. These covered a range of factors; including delivering an 'excellent' BREEAM rating added 10% of the project costs, solar panels to be placed on the roof and district heating system added an additional £1.5m. A further £2.5m was added to include a retaining wall and pedestrian access via the A4, these were included in order that the site provided a gateway to the enterprise zone. A further half a million was spent on river bank stabilisation to maximise the shared plaza space.
- If the Filton proposal does not reach the same environmental standard then these costs should be removed in order to compare like with like.
- In total, Arena Island Ltd. offered Bristol Council an extra £55m to cover their project cost increases of £33m. The offer was based on extra capital, extra rent, and an increased 10 years on the lease for the Arena. The majority of the offer wasn't accepted by Bristol City Council, and no reason was given.
- Only part of Arena Island Ltd.'s proposal to assist the Council was accepted. The 10 year lease extension wasn't referenced in KPMG's report but would have had a significant impact on the financial implications, if accepted.
- Furthermore, Arena Island Ltd. offered to assist the Council with its value for money exercise in terms of the design of the Temple Meads Arena, and we believe further savings could still be achieved. Again, this was not taken into account within the KPMG report.

Issues with the Filton site:

- In relation to the Filton site, Bristol County Council may be asked to pick up costs for the project at a later date if it abandons the Arena plans for Temple Meads (and particularly if it subsequently redevelops that site) as it wants to deliver an Arena in or around the Bristol area.

- Were that to happen, Bristol City Council would be providing funding for a scheme where the people and businesses of Bristol would not be reaping the economic benefits, and there would have been no market testing as part of a public procurement exercise.

The impact on the wider Bristol Economy:

- Whilst the report acknowledges the economic benefits of the Island Arena site, it fails to acknowledge that these benefits will not all be felt by the people of Bristol if it is built on the Filton site.
- Locating the arena in the heart of Bristol will provide much needed jobs for the area as well as significant economic stimulus for local businesses. Restaurants, bars and hotels will all benefit from the increase in footfall if the arena is located in the heart of the city.
- There is a lost generation of music and live entertainment development and career opportunities if the project is not delivered on the Temple Island site, or at the very least those opportunities will be significantly delayed with the potential for lower impact.
- The cultural currency of a city centre arena in Bristol should not be understated. Bristol has a thriving creative industry and we want the best artists to perform in the heart of this city. It will make the city more attractive to business, students, and it will add to the rich tapestry of this fantastic city.

Environmental Impact:

- The reports fail to take account of the negative environmental impact of locating a site in Filton with the corresponding traffic congestion and pollution.
- The Temple Island site is located next to a major rail network hub, as well as being located close to the local population who will be able to use low carbon transport options such as travelling by foot, bike, and bus, when visiting the concert venue.
- Younger audiences need strong transportation links to be able to safely travel to and from the venue. An out of town location could preclude younger people (particularly from south of the city) from attending.
- The corresponding traffic congestion to the Filton area is also likely to make the venue less attractive to music fans, artists and promoters.

Experience in successfully operating arenas:

- As experienced arena operators, Arena Island Ltd. can be confident of making the Temple Meads site a success.
- Promoters will want to put events on at the venue because they have confidence SMG and Live Nation can sell tickets.
- In our experience, promoters want city centre sites because they know that they are easy for people to get to. It is no coincidence that the last three arena projects in the UK have all been in city centre locations (Leeds, Glasgow and Liverpool), all of which are successful in no small part

because of their location. Just as importantly for the City and its residents, the economic benefit and its multiplier effect will be most strongly felt in a City Centre Arena project.

- Artists like to play city centre venues and promoters feel confident selling tickets there because of the transportation infrastructure and population travel time which enables people to access the venue from all sides of the city. Filton is not as accessible for people south of the city.
- We believe the number of events at Filton is likely to be significantly less than predicted by YTL because promoters won't have confidence that ticket sales can be achieved in an out of town venue. We anticipate that artists are likely to bypass Filton and play at Cardiff or Birmingham instead.

Can Bristol afford further delays for an arena?

- It has been a long time coming to get to the position where Arena Island is ready for a world class arena to be built in Bristol. If the Council feels that Bristol deserves an arena, (and it is the only major UK city without an arena concert venue), it should proceed with the proposal and the project that was successfully tendered for in 2014.
- The best strategy for cost management and de-risking of a project such as this is to get into the ground quickly and get it built as quickly as possible. Since SMG won the Bristol tender with Live Nation in 2014, they won the tender to build a smaller 3,500 capacity arena in Hull in 2015. Hull Arena is now completed and Van Morrison will open building on 30th August - in the middle of the City Centre.
- The vast majority of Bristolians want the Arena to be built on the Temple Island site. An independent petition has nearly 6,000 signatures giving their support to the city centre location.

Thank you for taking the time to consider our comments.



Bristol Arena – Value for Money Reports

Buckingham Group Contracting Ltd:

Statement for Bristol City Council’s Overview and Scrutiny Management Board

We understand that in advance of the planned Cabinet Meeting on the 3rd July, the Overview and Scrutiny Management Board will consider the findings and provide feedback to Cabinet via a document to be published by the 25th June.

To assist the Overview and Scrutiny Management Board to draw the correct and accurate conclusions from the recently published Value for Money reports we request that the following statement, and the key points therein are duly considered ...

Buckingham Group Contracting Ltd has worked closely with Bristol City Council, and the Arena Project team, to develop a solution that is economically viable, where further significant Value Engineering savings can be realised by ongoing collaboration and provides a low-risk proposal to deliver an outstanding project.

Our initial reaction on reviewing the Value for Money reports was one of extreme dismay and disappointment that, after such an investment in time and cost, the assessment is so inconclusive and appears to be heavily biased towards the Filton scheme. We are totally baffled that KPMG didn’t feel it necessary to speak with any of our team in preparing these critical reports.

We wish to make the following points:

- There was no direct consultation between KPMG and our people who have been working closely with Bristol City Council (BCC) and the Arena Team during the PCSA stage
- There has been no direct discussion with our team on the level of risk associated with the Arena Island site yet there is presumption on residual risks negatively impacting the commercial returns
- There has been no direct consultation regarding the application of the contract and recognition that much of the risk rests with Buckingham Group, our team is working with the Arena Team to reduce Bristol City Council’s risk even further
- The risk associated with the Filton site and the mixed-use development is mentioned, however, the negative impact of this risk on financial projections is strangely absent although at Filton referred to as being ‘significant’
- The assessment consistently favours the Filton Scheme despite pointing out that a further six months of work is required merely to refine the proposals
- We disagree with the statement that the strategic case for the Arena on the Island site has been diminished since the FBC was submitted. It would take little effort to capture the benefits of the University of Bristol’s plans plus the BTQEZ, The Post Office Site and the remainder of the Island site to dramatically enhance the revenue generation capacity and therefore the catalytic impact of the Arena
- Whilst the social and economic case for the Arena is mentioned the lack of support for the benefits is dramatic in its absence. From our recent experience, using Government data, we anticipate the Social Value to Bristol to be more than £40 million for the construction period alone. Whilst it can be argued that the same Social Value would be available from the Filton site, what is lost forever is the exponential benefit from the value being delivered today, i.e. the longer the delay the larger the value that is lost, a ‘shovel ready’ project can deliver value now
- The numbers used to assess the Filton site have little or no basis on fact, plus there is no substance to the costs associated with the scheme, yet, in another example of bias, these figures are considered on a like for like basis in comparison with the Arena Island Site
- There is no mention of the timescales associated with the Filton proposals, other than possibly six months to work up detailed proposals, we are all aware of the difficulty in securing planning for major

schemes including the extremely high risk of legal challenge, public inquiries and judicial inquiries, if BCC does not proceed with the Island Site it could well be many years, of adverse publicity, before Bristol finally gets the Arena that is needed and required

In summary:

- The Value for Money Assessment contributes little to help the council make an informed decision and has put the council in a worse position than before
- We do not understand why KPMG did not engage with our team to develop a clear understanding of the costs, contract, risk profile and value that can be delivered
- The business case for the Arena is under stated, we believe that the commercial returns will be significantly higher than currently stated and do not understand why the benefits of current developments options have not been developed / costed and added into the original business case
- The risks associated with the development of the Filton are massively under-stated, surely the dismissive statement that the risks are 'significant' should be a serious cause for concern

Statement by YTL for the Overview and Scrutiny Panel - Bristol Arena

Council Chamber, City Hall, Bristol

Friday 22 June

Thank you for the opportunity to address the Committee. I thought it might be helpful to summarise YTL's proposals ahead of the Question and Answer session.

Who are YTL?

A family business founded in 1955 in Malaysia. Strong family values and long term investors. They have never sold a business.

Now a highly successful international business, with interests in power, water, rail, cement, construction, voice and data communications, property development, housing, commercial, retail, hotels and spas, in South East Asia, China, Australia and Europe.

UK assets of over £3 billion, including Wessex Water, The Gainsborough Bath Spa hotel and Thermae Bath Spa in Bath, and hotels in London and Edinburgh.

Filton Airfield and the Brabazon Hangars

Acquired Filton Airfield in December 2015.

The Brabazon Hangars were purchased in May 2016

Outline planning permission for the airfield granted in 2017 for

- 2,675 homes
- 62 acres of employment space
- three schools
- community facilities
- mixed use centre
- new railway station and dedicated Metrobus route.

Work has started on the infrastructure and we expect to submit a Reserved Matters application for the first phase of housing shortly. As part of the airfield development, we have contributed to a total of £100m of infrastructure investment.

Why an arena at Filton?

The hangars are a landmark and testament to Bristol's engineering history. An arena in these iconic structures can reflect Bristol's proud aeronautical heritage.

The sheer size of the hangars facilitates a really great venue. The three hangars' site covers an area of 26 acres – larger than the O2's 22 acres and significantly larger than the Temple Island site.

It provides space for:

- sports
- music
- entertainment
- exhibitions

A multi-use configuration (round, horseshoe and sport specific) would provide maximum flexibility. There is secure access and overnight storage for large stage production crews. The site would serve a potential audience of approximately 12 million within a 2-hour travel time.

Experience shows that jobs and economic value do not come from an arena alone, but largely from the associated facilities – food, beverage, merchandise, etc, which we have plenty of space to develop.

We are committed to employing local people, both in the construction and future operation.

YTL Arena key features

- 16,000 seating
- Third largest arena in the UK – after Manchester and the O2
- Attracting international artists and events
- Incorporating up to 2,500 premium seats with large restaurants, private boxes and industry leading hospitality innovation concepts
- 5,000 square metres of food and beverage space created in two large entertainment zones
- State of the art technology
- Digital footprint to bring the show to life
- World class fan experience
- Flexible configurations and retractable seating to maximise types of events

Financial overview

Projected construction budget – £80m, with a further £20m for a bridge connecting the train station and Metrobus stop to the site, and associated facilities. Total £100m. Will be totally privately funded.

We already have interest from promoters, event organisers, sporting bodies and operators.

Our income projections show a modest but satisfactory return on investment.

Partnerships

Tourism and hospitality - working with local organisations such as Destination Bristol, and businesses to make sure that the whole of Bristol is engaged – creating packages for visitors to the arena, offering deals with local accommodation providers to encourage additional overnight stays.

Education and training - we will create a pathway from education into full time work that will offer practical learning through the running of a world class venue.

- Work placements and up to 100 full time vocational and apprenticeship courses in partnership with established further and higher education institutions around the region.
- Education programmes in technical, stage, sound, lighting and music production, events management, hospitality and sports management and business.

Jobs - up to 80 full time jobs will be created and up to 450 part time.

Key city stakeholders - the city has a history of innovation. The positioning of the Brabazon Hangars as an arena offers a great opportunity to bring the city's heritage for innovation and creativity to the fore and provide a focal/talking point for demonstrating this nationally and internationally.

Supporting local businesses - our commitment is to work with local businesses, sourcing local produce, products and services.

Managing events

Our project lead Andrew Billingham has significant experience in managing major events. In addition we are in discussion with top arena operators.

Flow of customers – strategies will be put in place to manage arrival and departure times through a variety of ticketing options, marketing and digital signage.

Ticketing - paperless and digital ticketing will be implemented, linked to loyalty and membership programmes.

Packages - we will partner with local organisations and businesses to offer packages to increase overnight stays and additional spend in the local economy.

Transport infrastructure

Good quality public transport is important in North Bristol and the arena will add to that importance.

There are three schemes that we believe are important:

- The train link between Temple Meads and Filton stations – which is in Network Rail's programme and funded for delivery around 2020
- Metrobus Phase 2 which we understand is funded but the delivery timetable needs to be clarified
- A rail link between Parkway station and Filton. This would be a new project which the KPMG report estimates at just under £53M. This estimate was based on twin tracking the line, something that Network Rail and GWR say will be unnecessary.

What is required will be improvements to signaling and bringing the freight track up to passenger standard. We understand this is likely to be no more than £15m.

There are already excellent national transport links in place – the intercity rail network, the M4 and M5 which link the arena to the north and south, east and west.

With the new Metrobus and Temple Meads train service, the arena complex becomes an extension of the city centre.

Many arenas in the UK are not located in city centres, eg O2, Wembley and NEC arenas.

The Filton location lends itself to a wide range of transport options, including park and rides utilising the significant parking spaces already available in the area.

We will adopt a green travel policy for staff and visitors and incorporate that within our ticketing and marketing strategy.

Sustainability

Our approach to sustainable design for the YTL Arena will be to take a holistic approach, to design, function and context, focusing on the intelligent use of materials and new technologies.

We aspire to achieve BREEAM Excellent (Building Research Establishment Environmental Assessment Method) as a demonstration of our commitment to sustainability through robust third party accreditation.

Issues relevant to the broader masterplan or city will also be taken into account. Environmental and sustainability excellence will be at the heart of the design.

Expert advisors

Andrew Billingham - project lead consultant:

- CEO of Bristol Sport, commercial and property company that delivered Ashton Gate stadium rebuild
- 27 years' experience operating large sporting, conference and music venues serving over 10m customers in major UK cities (Bristol, Birmingham, Stoke)
- Former senior adidas executive global event experience (World Cups, Olympics, Euro Championships)

Two of the UK's biggest operators have advised on feasibility and design of an arena.

Our architects Grimshaws have global experience of major projects.

Sir Alfred McAlpine's have advised on structure and construction.

We also have access to a range of specialist consultants on acoustics, M&E, structures, digital technology, fire, safety and transport.

Next steps

If a decision is made not to continue with the Temple Quarter arena, YTL will invest up to £1m in taking the Filton design to RIBA2, firming up income projections and developing a construction timetable. We will also firm up partnerships, operating arrangements and begin the planning process.

We would expect to complete this within 6 months and then be in a position to reach an agreement with Bristol City Council for delivery of the arena and associated transport infrastructure.

YTL's commitment

YTL will finance and deliver a world class arena in the Brabazon Hangar complex, together with associated facilities; subject only to satisfactory planning approval and confirmation of timely delivery the necessary public transport infrastructure.

EXTRAORDINARY OSM BOARD – 4.15 pm 18 JUNE 2018

PUBLIC FORUM - QUESTIONS

OSM Question(s) A – from Paul Wheeler

OSM Question(s) B – from Mike Farrington

OSM Question(s) C – from Neil Sellers

OSM Question(s) D – from Rachel Jones

OSM Question(s) E – from Rob Stroud

OSM Question(s) F – from Thangam Debbonaire MP

OSM Question(s) G – from Cllr Olly Mead

OSM Question(s) H – from Cllr Mark Weston (for Conservative group)

OSM Question(s) I – from Cllr Anthony Negus

OSM Question(s) J – from Green group of councillors (submitted in priority order)

Note;

Bristol City Council's responses are in red text

KPMG's responses are in blue text

It should be noted that everything is dependent on Cabinet Approval and to date Cabinet has not yet received the cabinet report and hasn't debated any of the proposals.

OSM Question(s) A – question submitted by: Paul Wheeler

I wish to put the following question to the OSM Board:

All of KPMG's reports on the proposed Bristol arena development are prefaced with an "Important notice".

The second paragraph of that notice states "KPMG does not provide any assurance as to the appropriateness or accuracy of sources of information relied upon and KPMG does not accept any responsibility for the underlying data used in this report. For this report the Client (Bristol City Council) has not engaged KPMG to perform an assurance engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed."

The scope of KPMG's work is set out in section 1.2 - of the Temple Island Area: Value for Money Assessment. At the end of the third main point listed under that section it states "A review of the environmental impacts is not included within the scope of KPMG's work."

Given the sweeping disclaimer in the first statement and the fundamental nature of the omission acknowledged in the second, would it not be reasonable for Councillors to conclude that, as a basis for deciding what is in Bristol's best interest, these reports are not worth the paper they are written on?

KPMG:

We cannot guarantee that something is an assurance unless it's performed in accordance with a specific type of methodology.

As an IFAC registered audit firm, when we use the term 'Assurance', people will reasonably expect us to be using it in as defined by the International Framework for Assurance Engagements (IFAC), and in the context of professional provision of independence assurance. The work performed for Bristol City Council did not meet the criteria which determine whether an assurance engagement is suitable and therefore our examination was not conducted in accordance with International Standard on Assurance Engagement 3000.

KPMG was appointed to look into the value for money of locating the arena at locations put forward by the Council. Our approach to assessing the potential economic impacts associated with the developments has been conducted in accordance with the principles set out in the HM Treasury Green Book.

The assessments have been based on the data and information available on each of the proposed developments at the time the work was undertaken.

OSM Question(s) B – question submitted by: Mike Farrington

Why should any credence be given to the KPMG report?

It considers one well-developed plan for an Arena at Temple Island alongside alternative plans for mixed use development at the Island and an Arena at Filton.

Neither of these two alternative plans has evolved to a point at which anything other than very preliminary assessments can be made. It is well-established that on major development schemes early assumptions and cost estimates can be wildly wrong and only as more detailed plans become available do the actual finance requirements, and risks, emerge.

To paraphrase, KPMG is at pains to point out that it cannot be held responsible for its findings because there is simply insufficient information available on the alternatives to an Arena at Temple Island. The consultancy also makes it clear that it cannot be held responsible for the figures and statistics provided to it by BCC and YTL upon which much of its comment is based. There does not appear to have been any robust interrogation of data provided by interested parties or any attempt to 'drill down' into its validity.

YTL seemingly recognises that it has not done enough work to provide sufficient information and, indeed, is seeking a guarantee of exclusivity for six months whilst it develops its plans more fully. This can be read as indicating it is far from convinced of its own case.

Against the background of this lack of detail on the two alternatives to an Arena at Temple Island, the 'headline' comparison figures presented for the alternatives in the KPMG report can be seen as having little meaning and certainly are very far from definitive.

Finally, it must be remembered that, until recently, KPMG acted as auditor to YTL. KPMG has also been criticised in the context of the Carillion collapse. Observers may, therefore, be forgiven for wondering whether KPMG can be regarded as a truly independent assessor.

For all of the above reasons, before considering the content of the KPMG report, its validity and the extent to which it can be relied upon must be questioned.

KPMG:

It is correct to say that there are three schemes all at different levels of development and therefore with a different degree of certainty associated with them. We have made this clear in the reports. Clearly, it would be easier for BCC to make a decision if all three proposals were at a similar stage of development, but the fact is they are not and we have transparently set that out so that it is properly considered in decision making.

KPMG sought to obtain as much information on each of the projects as is available at present and discussed the data provided with each of the relevant interested parties where appropriate.

KPMG has been auditor to YTL Group in the UK, which includes Wessex Water, in recent years. The last financial statements subject to audit by KPMG were those for the year ended 30 June 2017.

As disclosed in the last financial statements, in accordance with best practice, the company tendered the audit and as a result, KPMG was not reappointed as auditors.

Separately, we were appointed by Bristol City Council in August 2017 to carry out a value for money review of the arena plans in Bristol.

Large professional service firms work for many organisations in the public and private sector, whose interests may, on occasion, compete or conflict.

KPMG has policies and procedures in place to identify and manage any potential conflicts of interest when taking on new work and in the delivery of that work. We are satisfied that no conflicts exist in this case, given the nature, scope and timing of the work.

OSM Question(s) C - questions submitted by: Neil Sellers

What steps will be taken to ensure a FULL cost/benefit comparison is undertaken?

The current documents appear to make no reference to environmental impacts beyond the BREAM status of the arena. The reality of several hundred thousand people per annum (for 25+ years) visiting will generate several hundred thousand movements pa for 25+ years. An arena placed within a population density, walkable for 10s of thousands of Bristol residents and beside a major transport hub will have a different environmental impact to one placed “out of town”, with minimal pedestrian access, close to no existing public transport provision.

How will this cost/benefit of comparative schemes be assessed?

What consideration will be made to the extra costs to Bristol residents (for 25 + years) of travelling to Filton vs walking to the TQEZ?

Marginal costs for those driving (from outside Bristol) would likely be minimal.

The Environmental Impact Assessment (EIA) for Arena Island was undertaken as part of the normal planning process in 2016. This helped shape the transport measures for the arena at Temple Island as part of the Detailed Planning Application. Should a decision be made to pursue alternative propositions, EIAs would be carried out as part of the normal planning process.

KPMG were not instructed to revise their model to reflect this as transport measures have also been included in the high level proposals for Filton.

OSM Question(s) D - Questions submitted by: Rachel Jones

I live in Bristol and have previously worked in the event industry, so have been following the proposed arena development with interest and anticipation for many years. I read an article on the TRESA website last week about the OSM Board and being able to provide a written statement. I have read and carefully considered the three reports and have some questions that I would like to submit.

Q1 - Affordable Housing

I live in rented accommodation as I cannot afford to buy a house, due to a lack of affordable housing in Bristol, this is an issue very close to my heart. The 'assessment of alternative development plans for the Temple Island site' says "they would contribute towards the delivery of new housing, including affordable housing" The report does not say the percentage of affordable housing that would be achieved. A recent report on affordable housing in Bristol found two thirds of developments do not meet the Council's requirements, with only 11 of 36 recent major developments reaching standards and many like 'The General' having no affordable housing. I believe the Temple Island site is in 'Bristol Inner East' where Local Plan Policy BCS17: says the Council's target is for 40% affordable housing.

- **Can the Council confirm that the site valuation "by third party advisors at £12.5m" allowed for 40% affordable housing and publish this to demonstrate the council is not just planning to sell the site for a large profit to a developer who will provide no or little affordable housing?**
- **Can the Council guarantee that any Cabinet decision to use Temple Island for housing will carry a requirement that any future land sale has a restrictive covenant on the title requiring 40% of all housing built to be affordable?**
- **If the council is not willing to commit to 40% affordable housing on land it owns why would any other developer?**

BCC Planning Policy has confirmed that the site is in the South Bristol policy area and consequently 30% is the affordable housing target.

KPMG:

Page 14 of the report does refer to the level of affordable housing anticipated at this stage – 30% which is compliant with Policy BSC17 of the Core Strategy.

Q2 - Arena Funding

The 'Temple Island Arena VFM assessment' says that the council "secured £53.0m of funding from the West of England Local Enterprise Partnership (LEP)" and "of the capital costs outlined in the report, £12.2m of the costs have already been incurred" If the Arena is not built this will be a massive waste of public money at a time when services are being slashed as part of the government's austerity measures.

- **Will the council have to pay back this funding to the LEP if the project is not built? as it says later in the report the funding could be repurposed?**

The report says if the Arena is built it will require no "revenue support in any year of operation" which is great news, as it shows it is affordable and will not impact on services the council provide. With the economic, social and city centre benefits (that Filton does not provide), this provides a perfect case for building an arena on this site.

- **Based on the above, if the Arena is not built will this have any revenue impact to the council, such as requiring further council cuts or revenue savings to cover these costs?**

No, the £53m commitment from the LEP, secured through the Economic Development Fund, would only be paid over to the Council following Practical Completion of the scheme.

If the arena is not built on the Arena Island site, then it is likely that some of the £12.2m expenditure incurred on the scheme to date, which is not part of the £53m, would be deemed abortive, where it could not be applied to an alternative investment. This means that we would not be able to treat this as capital expenditure, and would require funding from the Council's reserves.

Q3 – YTL Information

YTL has provided various information for the Assessment of alternative plans for an arena in Bristol report.

- **Can this information be made public?**

We will seek confirmation from YTL as to whether this information can be released.

For cost and punter information the report says "It should be noted that there was limited information available from YTL on which to base our analysis, so a high level appraisal approach was adopted. Therefore, the results should be viewed as indicative only."

- **Why have KPMG blindly accept the information and not done any basic assessment of this?**

The YTL information given to KPMG is based on supporting data from similar arenas. Where further information was not available, standard methodology has been applied within the assessment.

For example the costs seem very low for a bigger arena, they used an "Aecom Temple Island Arena cost benchmarking on a £/ sq m basis" to show those project cost were high, why did they not use the same for the Filton Arena to see if the costs when benchmarked were too low

- **Can this be done?**

No. The two propositions are materially different for this approach to be applied, For example, one is a new build scheme whereas the other is a hybrid scheme.

The YTL punter figures are very high: 1.3 million per year compared to the Temple Island Arena of "approximately 600,000 attendees per year".

- **This is 117% higher, whereas the Filton arena only has a 33% higher capacity, how does that work?**

The higher attendee figures are linked not only to the increased capacity of the arena but the higher number of events that YTL has indicated it would stage. The number of events and annual attendees anticipated mean that average capacity utilisation of the arena would be approximately 58% compared to an expected average capacity utilisation of the Temple Island Arena of 45%.

Top UK arenas, with capacities above 15,000, achieve 1.2m to 2.7m annual attendees. YTL's projections sit at the low end of these annual attendees by year 5

Bristol has a metro area population of 1,151,000. Manchester which they seem to base their estimates on has a metro population about five times bigger than Bristol and is close to other very large cities.

- **Birmingham has a metro area population more than three times bigger than Bristol of 3,737,000, however YTL say they will attract more visitors to their arena of about the same capacity; with a smaller market and in the 'age of fake news' do they seriously think anyone with any sense will fall for this attempt to massively big-up their project over the Temple Island one?**

Bristol Arena's catchment area is the South West with an estimated population in excess of 8m. The proposed arena at Filton has a capacity of 16,000 which may enable it to tap into a wider market including "Big Hero Grade A" acts (Ed Sheeran, Taylor Swift, Katy Perry, Adele etc).

Well it seems KPMG did not think it was worth questioning and calculated all the additional economic benefits it would produce, to report that the Filton project would deliver more economic benefits than the Temple Island Arena! The Mayor was quoted "I am grateful to KPMG for all their hard work in pulling together these reports, which now give us the foundations for an evidence-based decision about the best way forward for Bristol,"

- **Does this report really provide enough non-fake and reliable information on Filton to make an informed decision Mr Mayor?**
- **I have read stories in the press about KPMG's special relationship as auditors to YTL, is the fear of loss of this business linked to them not robustly reviewing their information and instead painting a lovely picture of how wonderful an arena in Filton would be?**

The report is also very quiet on Filton project risks compared to the project at Temple Island, for instance includes no commentary on the major planning permission – sequential test risk, which could mean after all the eggs are in that basket we find out that the project is undeliverable! Perhaps they could paste in Councillor Olly Mead's statement to full council in January for that section, what a hero!

KPMG:

We have been very clear about the source of information used in our analysis and the stage in development of that information. We have highlighted a high degree of risk given this stage.

We have commented on the alleged conflict of interest point in answering a previous question – OSM Question B

Q4 - Alternative Development for the Temple Island site

The assessment of alternative development plans for the Temple Island site says “the analysis suggests that the economic NPV of the Temple Island Arena project is comparatively lower than the economic NPV of the alternative Temple Island development. This suggests that, based on the evidence currently available to inform the assessment, in cost and economic terms, the alternative Temple Island development proposals present better value for money and would generate higher economic impacts.”

- **Can any drawings or images showing what the mixed-use development would look like be published?**

There are indicative proposals available for the alternative scheme, which is at a feasibility stage. Bristol remains an attractive location and the alternative scheme has been designed to accommodate the needs of commercial and residential occupiers

The analysis by KPMG is based on an initial indicative layout. Further work was undertaken to refine this and is contained within the documentation released

- **And can other Council assessments used by KPMG to calculate the “economic NPV of the alternative Temple Island development” be published, including the backup details for the 1,804 gross FTEs Jobs estimated?**
- **If these ‘new jobs’ are mostly office workers will the majority really be existing staff moving from a different office in Bristol or from wider afield and not ‘new jobs’ for the people of South Bristol, who desperately need them?**

KPMG:

The direct employment figures estimated for the alternative development were provided by BCC, based on the average employment created for the size and type of use planned for the developments. These estimates also take account of the expected phasing of development and utilisation. This is a standard approach to estimating direct employment for developments at this stage. Wider employment will also arise through the likely supply chain and employee spending impacts. These are estimated using ONS employment multipliers for the relevant sectors. In the report we refer to “additionality”, by taking this in to account, including the potential displacement of existing employment within Bristol and the West of England, the net estimates relate to additional (new) economic activity linked to the proposed developments.

We know that the Arena as a new building on this site would create 100% new jobs and new supply chain opportunities within a couple of years.

- **There are many development plots, which remain undeveloped in city centre locations around the Temple Meads Station area, what real evidence can the Council publish to show that the site will not just be**

left empty for another 10 – 15 years after abandoning the arena, with no jobs being created for South Bristol?

The site will have attributes attractive to the market, principally proximity to the new Temple Quarter Enterprise Campus and – especially– Temple Meads Station. Ultimately, however, development of commercial space will be heavily influenced by market conditions prevalent at the time that any development is being considered.

Q5 – Filton Infrastructure

The report says that for YTL to build an Arena the Council will need to fund “a rail transport link from Bristol Parkway station to a new Filton station.” It continues to say that “this is at a very early stage, has not been agreed with Network Rail and requires discussions with Persimmon Group Plc regarding utilising land owned by them.

- **The cost estimate is based on Mott McDonald’s high level analysis for BCC of potential costs.” Can this “cost estimate” be published for the public to view?**

Yes this will be published.

The £53m estimate conveniently is exactly the same amount as the “Local Enterprise Partnership (LEP) funding” which “will be saved that could potentially be repurposed”;

- **Was the brief to Mott MacDonald that the high-level assessment should conclude the cost should be the same as this funding, or is this simply a happy coincidence?**

It’s a coincidence.

The report continues that “BCC has informed us that it has advised YTL, that its commitment to fund infrastructure works will be capped at £53m so any cost increases would be met by YTL (subject to contract). This will limit BCC’s exposure to cost overruns across the agreed infrastructure works.”

- **Will YTL actually agree this if the Council loses its negotiation position after cancelling the arena at Temple Island?**

The Council’s position is clear. Should a decision be made to pursue this option, this would be subject to a contractual agreement.

KPMG Says once the decision to “end the prospect of the Temple Island Arena” has been made “at that point BCC’s negotiating leverage with YTL would be diminished”. Or will YTL pull out of building an arena if there is any cost increase to infrastructure, as KPMG say “in a worst case scenario, for example where cost overruns threaten commercial viability, YTL could walk away from the development, leaving Bristol without an arena”. By this point the council will be over a barrel and probably agree to put extra funding in, or perhaps pay KPMG to do another value for money assessment to help make a decision. Transport infrastructure is infamous for cost overrun, Cambridge guided busway - original cost estimate of £64 million rose to £181 million. Edinburgh tram - £375m over budget and three years late. Great Western line electrification – budget trebled to £2.8bn, with electrification to Bristol Temple Meads cancelled. These transport infrastructure cost increases are all

significantly more than those for the Temple Island Arena, showing putting eggs in that basket could cost more in the longer term, with less of the benefit.

Q6 - Filton Arena Leakage

'Assessment of alternative plans for an arena in Bristol' report identifies that spending of the punters heading to the arena will clearly be concentrated around the Filton Arena development. The report says that YTL has agreed to work with Bristol City Council and Destination Bristol to set up ticket packages, including city centre hotels, parking and transport, for arena events in Filton. "This may mitigate the leakages from the City Centre of Filton Arena attendee spending to some degree," the KPMG report says cautiously.

- **However, is it not 100% certain that as soon as they get a green light they will add Hotel developments proposals across their site to complement their arena and create Filton based offers for the punters instead, so as to maximise the amount of profit they make?**
- **Why has the report not asked this question of YTL?**

The promise of city centre packages seems to be a slim attempt to say the impact to the city centre will not be that bad, you will still get some economic benefit in Bristol, honestly gov. Is it not more likely that it will be just another nail in the coffin for our city centre, how long before our House of Frasier needs to close because of all the extra out of town facilities at Filton and Cribbs, or perhaps they will just relocate to Filton too.

We acknowledge the concerns raised in the KPMG report in relation to leakage and will continue to work with YTL to secure the mitigation measures they have proposed.

KPMG:

KPMG estimates that the level of economic leakage from Bristol linked to the operation of the Filton arena could be approximately 25%. For any development there would be a degree of leakage of benefit from the local economy, for example because wider supply chains span across the UK and the economic activity linked to direct employee and supply chain employees' wage spending will also not all be local to the area in which they live. KPMG's report does recognise, however, that attendees' spending may be more concentrated around the Filton site given the retail and food and beverage offer that is likely to be available in the surrounding area and within the Filton arena itself.

OSM Question(s) E - Question submitted by: Rob Stroud

Please accept the following questions for the Overview and Scrutiny Management Board of Monday June 18th. Unfortunately I will not be able to attend in person to present these questions, so I would be grateful if these questions could be tabled and noted.

Q1 - Does the OSMB believe that as "significant risk remains as to the commercial and technical deliverability" (KPMG summary report, page 2) of the Filton Arena option plans, alongside the fact that KPMG acknowledge that

it is "not possible to conclude on their deliverability" (ibid.) that the Council would be unduly exposing itself to both financial risk, and reputational risk by pursuing the Filton option which may not result in an arena for Bristol?

As outlined above, these 3 propositions are at varying stages of maturity with different risk profiles. The information available has been robustly reviewed in accordance with Green Book methodology and any assumptions made and perceived risks have been outlined in the reports. The findings can now be considered in line with the Councils strategic priorities, affordability and risk appetite.

Q2 - Does the OSMB believe that it would be appropriate for the Council to pursue plans for an arena at Filton "which are not at a sufficiently advanced stage in development to be ready for detailed due diligence" (KPMG summary report, page 3) when the Council already has in hand plans for an arena at the Temple Island site which KPMG highlights there is "a strong economic case for an Arena at Temple Island" that "provides justification for the use of public money" (Summary report, page 1)?

These 3 propositions are at varying stages of maturity with different risk profiles. The information available has been robustly reviewed in accordance with Green Book methodology and any assumptions made have been outlined in the reports. The key points are outlined in the summary report and the competing development plans for Temple Island are extracted below for ease of reference.

"In net terms, the direct, indirect and induced impact of the operation of the Temple Island Arena, wider spending of attendees and catalytic development could generate Net Present Value (NPV) of Gross Value Added (GVA) of approximately £387.1m and up to 660 Full Time Equivalent (FTE) jobs in the West of England over 25 years. This provides justification for the use of public money for a lower than commercial rate of return."

"The competing development plans for the Temple Island site through mixed use development have the potential to deliver a materially higher economic benefit to the City. The mixed use development proposals can be expected to deliver GVA of £875.3m (in NPV terms) and deliver 2,074 net full time equivalent jobs. Combined with the lower requirement for public funding, this means a BCR for the competing plans of 23.0:1 versus 3.2:1 for the Temple Island Arena."

Furthermore, the jobs associated with the alternative proposals for a mixed use scheme at Temple Island are more likely to be of a permanent nature than the more sporadic employment patterns typically associated with entertainment venues which require increased staffing when events are being staged.

Q3 - Does the OSMB agree that the Filton arena option which has "a low level of commercial readiness" (KPMG Alternative Plans for an Arena report, p.9), and where "supporting infrastructure works costs are subject to potential further cost" (ibid) should not be progressed, particularly as the supporting infrastructure would likely also be enabling infrastructure for commercial residential development of a site outside of the Bristol local authority boundary, and the likelihood of "leakage of economic impacts outside of

Bristol" (ibid, p8) which would suggest that the Council is not acting in the best interests of Bristol?

Please note the response to Q2 above

In addition to the above it should be noted that the Economic Development Fund (EDF) (which currently contains an earmarked investment of £53m for the Arena at Temple Island subject to conditions being met) is intended to be utilized within the 5 West of England Enterprise Areas and TQ Enterprise Zone to deliver investment programmes that generate growth and maximise economic returns in the region.

KPMG:

For any development there would be a degree of leakage of benefit from the local economy, for example because wider supply chains span across the UK and the economic activity linked to direct employee and supply chain employees' wage spending will also not all be local to the area in which they live. KPMG's report does recognise, however, that attendees spending may be more concentrated around the Filton site given the retail and food and beverage offer that is likely to be available in the surrounding area and within the Filton arena itself. The value for money assessment estimates the net economic impacts at the Bristol level (which take account of leakage). This analysis indicates that the estimated net economic impact (in terms of Gross Value Added (GVA) in Net Present Value (NPV) terms) is higher for the Filton Arena than the Temple Island Arena, despite the higher level of estimated leakage.

Q4 - Does the OSMB agree that alternative plans for Arena Island, which in terms of employment opportunities have "no specific plans of how the development may offer opportunity to all" (KPMG Alternative Use of Temple Island report, page 14), and in terms of overall likelihood of the proposed development are "only in the early stages" (ibid, p29) such that "there remains delivery risk and uncertainty about the exact development that may come forward and over what timeframe" (ibid) and with a significant risk that "the level of public sector spending that may be required to bring forward the developments is not clear" (ibid) means that it would highly irregular for the Council to pursue further this development when established plans for an Arena on the site, that will deliver positive economic benefit, are already known and ready to progress?

These 3 propositions are at varying stages of maturity with different risk profiles. The information available has been robustly reviewed in accordance with Green Book methodology and any assumptions made have been outlined in the reports

OSM Question(s) F – questions submitted by: Thangam Debbonaire MP

I am writing to inform the Overview and Scrutiny Management Board (OSMB) of questions and concerns I have arising from the publication of three reports from KPMG, assessing the viability of the Arena project. Specifically, I would like OSMB to consider

1) whether the reports have adequately taken account of all relevant criteria for deciding the location of the arena in Bristol,

2) whether the information provided by KPMG in these reports gives Bristol City Council sufficient reliable information upon which they can base a decision about the future of the Arena project.

I fully appreciate the Council's need to ensure that major projects in the city deliver value for money for the taxpayer. However, it is clear that for a flagship cultural and leisure development like an arena, other criteria must be considered when forming a judgment about the future of the project. For example, these criteria include environmental impacts; the effect on local air quality; transport links; job creation in some of the most deprived areas of the city; the impact on supply chains; the economic development of the whole of the City set against the development of neighbouring local authorities; local and national planning policies; the implications for the wider leisure and entertainment industries in the city, and coherence with Bristol City Council's Cultural Strategy. These are all criteria against which the different proposals for the Arena ought to be judged.

In some cases, KPMG are clear that their evaluations do not take into account these additional criteria. For example, their value for money assessment of the Temple Island proposal they specifically state "a review of the environmental impacts is not included within the scope of KPMG's work." (p.4)

In other cases, the report into the Temple Island proposal specifically states that "The Arena will fill an existing gap in Bristol's cultural offering, and would regenerate a currently derelict site in Bristol. The Arena could have widespread benefits in terms of improving the standard of living in Bristol, improving access to culture and arts and improving community cohesion." (p.6).

- **Given the proximity of the Temple Island site to areas of high deprivation in Lawrence Hill and in South Bristol, can the committee investigate whether the broader social impact of the Arena development has been given sufficient weighting as part of the investigation into the value for money of the site?**

KPMG:

KPMG estimated the impacts at both the Bristol and West of England levels. The analysis did not quantify potential economic impacts for different areas within Bristol. Social impacts were also assessed qualitatively and we note in the report that these social impacts should also be considered when looking at the VFM of the scheme.

If OSMB feels this is not the case, I would like to ask the Cabinet to identify ways of considering these other criteria before coming to a decision.

In addition, there is no consideration of the planning issues surrounding a proposed arena at the Brabazon Hangar site. I understand if that is beyond the scope of these reports. However, I am aware that both local and national planning policies are designed to prevent such developments being approved in out-of-centre locations.

- **Can OSMB take into account these important issues as part of their scrutiny of the wider feasibility of a possible arena in the Brabazon Hangar site?**

Any proposal to develop an arena at Filton would have to go through the normal statutory planning process.

The KPMG report into the viability of the Brabazon Hangar proposal notes that “there may be a degree of ‘leakage’ of economic impacts outside of Bristol” as a result of the hangar’s proximity to the neighbouring South Gloucestershire local authority.

- **Can the committee investigate further into the extent and nature of this possible economic leakage, and its possible effects on other areas of Bristol?**

The KPMG reports estimate leakage at 25% at a Bristol level for the Filton Arena

Each of the three reports produced by KPMG contains an introduction which contains the caveat that “KPMG does not provide any assurances as to the appropriateness or accuracy of sources of information relied upon.” And in the Summary Conclusions document it is noted that “the Client [Bristol City Council] has not engaged KPMG to perform an assurance engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed.” This uncertainty is most evident in their report on the Brabazon Hangar proposal, where KPMG draw attention to the limited financial and commercial information provided by YTL. YTL have provided information about the technical feasibility of an arena within the Brabazon Hanger, but KPMG note that “it is outside the scope of KPMG to assess the reasonableness of these reports.” (*Assessment of alternative plans for an arena in Bristol*, p.6).

- **Given the caveats and reservations that KPMG have contained in their respective reports, does OSM feel like the information provided in these reports is of sufficient accuracy and reliability for the council to make a justifiable comparison of the economic case for each of the options under consideration?**

These 3 propositions are at varying stages of maturity with different risk profiles. The information available has been robustly reviewed in accordance with Green Book methodology. The economic case answers the question “What value for money does the proposal represent?”

Not all impacts can be expressed in monetary terms and, of those that can, we have more robust evidence for the monetisation of some impacts than others. These details are incorporated and assumptions outlined in the report. Depending upon their expected magnitude, we have also taken into account in the report qualitatively those impacts for which it is not possible to give monetary values.

Value for money is only one factor that is taken into account when choosing whether or not to proceed with a proposition.

Finally, I want to reiterate that like all politicians in the city, I want what is best for the people of Bristol. I am pleased with the progress that has been made under this

administration to highlight both the incredible cultural potential that Bristol has to offer, but also the need to balance the economic development of the city so that every part of the city sees the benefits from cultural and economic growth. The development of the Arena is an important part of the city's future cultural development, and showing that the city can deliver a flagship cultural institution at the heart of the city sends a strong signal about our commitment to protecting Bristol's evolving cultural offer. In the light of the city's bid for Channel 4's relocation, I feel strongly that we get this decision right. I therefore urge the OSM to ensure that all criteria against which Bristol City Council may base their decision about the possible futures for the arena project are fully considered, and that the evidence underpinning such judgments is thorough, sound and reliable.

KPMG:

The balance of priorities is for the Council and Cabinet to decide. Our role is to transparently set out the facts pertaining to those priorities, where contained within our scope.

With respect to our important notice, as noted in our answer to a previous question, we cannot guarantee that something is an assurance unless it's performed in accordance with a specific type of methodology.

As an IFAC registered audit firm, when we use the term 'Assurance', people will reasonably expect us to be using it in as defined by the International Framework for Assurance Engagements (IFAC), and in the context of professional provision of independence assurance. The work performed for Bristol City Council did not meet the criteria which determine whether an assurance engagement is suitable and therefore our examination was not conducted in accordance with International Standard on Assurance Engagement 3000."

KPMG was appointed to look into the value for money of locating the arena at locations put forward by the Council. Our approach to assessing the potential economic impacts associated with the Filton arena development has been conducted in accordance with the principles set out in the HM Treasury Green Book.

It was based on the data and information available on each of the proposed developments at the time the work was undertaken.

The reports provide an independent analysis to help the Council to make a decision, but we did not advise the council on where the arena should be located. It is important to note that we have no influence over policy direction/content in any of our public sector work.

OSM Question(s) G - Questions submitted by: Cllr Olly Mead

Q1: In the report Temple Island Arena: Value for Money Assessment, Section 4.1.1, p11, implies that the arena was being built on Temple Island to act "as a major catalyst and economic driver for the new Enterprise Zone." In fact, according to page 2 of the planning papers submitted to DCA on 2nd March 2016, it was sited there because "Bristol City Council has a policy commitment to deliver a major indoor arena. Policy BCAP35 of the Bristol Central Area Plan identifies the Bristol

Temple Quarter as a location appropriate for a major indoor arena." This is also based on the NPPF guidance.

- **Why does the decision seem to be focusing solely on the finances of building the arena, and not the impact on tourism and the city entire economy?**

The decision will be for Cabinet to make on 3rd July

The reports look at the Value for Money for the individual projects, having regard to the information provided and the scope, which includes funding and economic impacts

KPMG:

As stated in the report, section 4.1.1., the vision for the arena acting as a major catalyst and economic driver was set out in the Outline Business Case for the arena and subsequent Full Business Case for the Arena submitted to the LEP, and on which the £53m funding decision was based.

The analysis within the reports takes account of the potential economic impacts associated with attracting attendees to the arena and the spending associated with this for both the estimated number of day visitors and overnight visitors. Broader tourism impacts associated with Bristol having an arena and attracting more visitors for reasons other than attending arena events is acknowledged within the report. As we acknowledge the broader social impacts, such as wider tourism, are not captured in the quantitative analysis due to a lack of evidence to be able to robustly measure and monetise these impacts. However, these impacts represent upside to the economic case and should be considered when looking at the overall VFM of the proposals.

Q2: There is no reference to the 2014 ERS Research and Consulting report on the expected employment generation and growth of the local economy caused by the arena at Temple Island. Why?

KPMG:

The ERS report is referred to within KPMG's report and was reviewed. We also reviewed, and provide a detailed assessment of the AMION report that formed the basis of the analysis put forward in the Full Business Case to obtain LEP funding. This AMION report was the most recent assessment of the potential employment and economic activity linked to the arena. As KPMG explains in the report, there have been further developments since that the AMION analysis was produced, therefore the analysis was updated by KPMG to produce estimates based on the current expectations and most recent data and information.

Q3: On p12 of the TIAVFMA report, it says that "The wider catalytic impact of the Arete going forward may be more limited as other developments such as the University of Bristol campus ... are likely to have a greater influence in attracting businesses to the BTQEZ than the Arena."

- **Why does it overlook the fact that the new campus has been attracted to the area by the proposed Arena development, and not therefore include it in the analysis of the economic and development impact of the arena?**

Our discussions with the UoB suggest that they see advantages and synergies to the possible alternative scheme

KPMG:

The decision of UoB to choose this site has already been made and is not dependent on the decision to build an arena. The VfM decision should look at future impact of future decisions, not historical ones.

KPMG's analysis is intended to help inform a decision about the arena going forward. Therefore, the focus is on the future economic impacts that may be generated if the arena proceeds. While the report acknowledges that the proposals for an arena on the site may have helped already to catalyse some development, that development, including the UoB's plans will proceed irrespective of whether the arena goes ahead on the Temple Island site.

Q4: p7 refers to the "value engineering exercise to reduce construction cost. ... This suggests a greater degree of risk in the Target Cost number than we would ordinarily anticipate at this stage of a project."

- **Is that because of the endless delays to actually starting to build the arena?**

The delays to the project have prevented further work on the Value Engineering exercise. If approval is given to proceed the Value Engineering work can then be developed further to drive out risk and maximise savings.

Since planning permission was granted, we have had a change of administration, the Brexit vote, a fall in the value of Sterling, inflation over two years, and contractors not competing to build the project due to a perceived lack of commitment from the current administration to go ahead with the project.

- **Could that have had something to do with the increase in costs?**

The long term delay will probably have had an impact on the construction cost; however, having a viable alternative proposal has resulted in an improved financial offer for the Arena proposal at Temple Island which clearly outweighs any increase due to delay.

Q5: In the report Assessment of Alternative Plans for an Arena in Bristol, p5 states that "YTL's requirements for developing the Filton Arena are that three associated transport upgrades are delivered, specifically Metrobus Extension estimated at £35m capital cost, Metro West 2 (MW2)* estimated at £43m and a rail link to Bristol Parkway station estimated at £53.0 m". It then states that "All three infrastructure projects are at an early stage of development and therefore there remains a risk that costs to the public sector are greater than currently expected."

- **How likely is it that this work will be completed on budget and on time for the Arena to get the go-ahead from YTL?**
- **Have the impacts on surrounding communities and the economic viability of the Arena itself been considered if it is only accessible by road on the A38 when it opens?**

- **Will be the total cost to BCC taxpayers, given that p21 of the report states that the development "would not require BCC funding (beyond the funding for the transport infrastructure)"?**

*MW2 includes a rail link from Temple Meads to the long-closed Filton North station.

The scheme is at an early stage and further work is obviously required to address these concerns and is why YTL has suggested a six month period to further develop the deliverability of the scheme, should a decision to proceed on this basis be made.

BCC will work with SGC to develop a set of transport mitigation options to support the arena and this will include the three transport infrastructure projects listed above. Two of these are an advanced stage of development with planned completion dates of 2021/2.

BCC has capped its potential financial commitment to not exceed any revised business case, which subject to Joint Committee approval will be used to improve public transport in the area.

Q6: Page 6 of the same report states that "Limited financial and commercial information about the proposed Arena at Filton has been provided to KPMG. KPMG's commercial and financial review is based predominately (sic) on conversations with BCC and YTL executives. KPMG had limited access to information such as detailed financial analysis, cost plans and third party reports. We would expect further information to become available to BCC as the scheme develops, **including information on YTL's ability and commitment to fund the development, the scheme cost and the car parking strategy.**" The bold is my own.

- **How accurate a comparison is this report capable of being if only one scheme is able to provide thorough and accurate information?**

KPMG has stated that the scheme is at an early stage and is therefore not supported by the same level of information and detail as the Temple Island scheme.

Q7: Page 6 goes on to state that "the lack of control over the development means that, in a worst case scenario, for example where cost overruns threaten commercial viability, YTL could walk away from the development, leaving Bristol without an arena."

- **Is this a risk worth taking, given that elsewhere in the report we are told that "YTL has not provided any comment on the level of financial cost, at which the Filton Arena would become unviable for them" (P9), and there is no mention of them having any experience of building or operating an arena in the description of their business on p 22 of the report?**

YTL has employed a professional team experienced in developing, building and operating arenas.

BCC will take into consideration such risks and these should be mitigated during the exclusivity period as YTL develops the scheme proposals, should a decision to proceed on this basis be made.

Q8: "At the Bristol level there may be a degree of "leakage" of economic impacts outside of Bristol given the location of the Brabazon Hangar outside of the City Centre on the border with South Gloucestershire. ...we consider that Arena attendee spending (and the direct economic activity associated with this) may be concentrated more closely around the Filton site, including within the Filton Arena development, than may be the case if the Arena were located in the City Centre."

- **What is the point in Bristol having an arena that does not draw tourists and their spending money into the City Centre?**
- **How many potential jobs, and how much in business rates, could Bristol lose out on if the Arena is built at Filton?**

The current estimates suggest that the Business Rates return for the alternative scheme on Arena Island will be greater

We will be receiving business rates from both schemes however, it should be noted that the indicative assessment of business rates income for Filton covered only the arena, and not the impact on neighbouring commercial properties.

There are a projected 2,074 net jobs from the alternative development scheme at Arena Island, compared to an arena on the same site which is projected to generate only 661 jobs. In addition, the economic impact of an alternative scheme of development is 2.3 times higher (875.3m for an arena as opposed to 387.1m for the alternative mixed use scheme) which will clearly have a marked positive impact on the vitality of the city centre.

KPMG:

KPMG estimates that the level of economic leakage from Bristol linked to the operation of the Filton arena could be approximately 25% - a medium level of leakage based on the HCA Additionality guidance. For any development, there would be a degree of leakage of benefit from the local economy as wider supply chains span across the UK and the economic activity linked to direct employee and supply chain employees' wage spending will also not all be local to the area in which they live. KPMG's report does recognise, however, that attendees' spending may be more concentrated around the Filton site given the retail and food and beverage offer that is likely to be available in the surrounding area and within the Filton arena itself.

Q9: YTL is seeking "a six month exclusivity period to work up the detailed design. ... This would, in effect, end the prospect of the Temple Island Arena. At that point BCC's negotiating leverage with YTL would be diminished." p 22.

- **Is this a risk worth taking, especially given the often stated high risk of the arena not ending up being built at Filton even if YTL wins the contract and receives planning permission?**

We acknowledge that there is a different risk profile for each of the 3 propositions.

Q10: The report goes on to state that "as part of the CPNN there are plans to expand The Mall at Cribbs Causeway, which borders the Filton site. It is likely that this expansion will strengthen the retail and food and beverage offerings surrounding the Filton site. With 39% and 33% of the average spend of a day visitor in Bristol consisting of shopping and food and drink respectively, these two spending areas

collectively make up more than two thirds of the total average expenditure for a day visitor in Bristol.” P42 Given that BCC has challenged the proposed expansion of Cribbs Causeway on the basis that it would cause irreparable damage to our own City Centre shopping district (Cabot Circus and Broadmead), and using the sequential test from the NPPF to support our case.

- **Why are we even contemplating a course of action that would drive all this spend (plus potentially hotel accommodation) up to our main rival, in contravention of local and national planning policy?**

Any decision to support an arena at Filton would be subject to the normal statutory planning process. Please see comments regarding leakage above.

Q11: On p44 it states that BCC would receive 50% of the business rate income from the Filton Arena, with the other 50% going into the West of England EDF pool.

- **What percentage of business rates would we retain from the Temple Island Arena?**

The business rate split would be the same for the Temple Island site and the Filton Arena as they are in Enterprise Zones or Areas

Q12: In the report Assessment of Alternative Development Plans for the Temple Island Site, it repeatedly refers to the lack of data available to inform KPMG's opinion. In fact, it states this on pp 4, 6, 7, 10, 13, 14, 16, 18, 19, 22, 23,24, 25, 26, 27, 28, 29 - not bad for a 30 page report.

- Is this sufficient doubt on which to base a multi-million pound infrastructure decision?

These 3 propositions are at varying stages of maturity with different risk profiles. The information available has been robustly reviewed in accordance with Green Book methodology and any assumptions made have been outlined in the reports

Q13: The report concerning alternative uses for the Temple Island site (p30) concludes that "the Temple Island Arena is a well-developed project and as a result could be considered, at this point in time, to be more deliverable." The report concerning the Filton Arena development concludes that "the Temple Island Arena is a well-developed project and as a result could be considered, at this point in time, to be more deliverable." (p47)

Given these conclusions, why doesn't BCC just get on and build the Arena on the site we already own, with a design, planning permission and experienced operator in place, that will pay for itself owing to the profit share arrangement BCC has with the operator, and that would leave the city in 25 years' time with an arena worth more than any potential outstanding debts, that would also ensure that the economic benefits would help our city centre, rather than a private company and a neighbouring local authority?

This is a decision for the Cabinet on 3rd July and these reports are helping to inform the decision. Cabinet will also consider the opportunities afforded by increased GVA, employment and cost savings should a decision be made not to pursue an arena at Temple Island.

OSM Question(s) H - Questions submitted by: Cllr Mark Weston

Submission from Councillor Mark Weston made on behalf of the Conservative Group.

Firstly, apologies that I am unable to attend and present this series of questions in person but would very much appreciate a response as this will help Members reach a considered view on the Mayor's VfM review.

I would also like to make the general observation that this exercise – and its provisional economic conclusions - seems heavily skewed towards building the Arena at Filton.

- **The KPMG study leaves unclear how much economic benefit accrues to the City of Bristol from such a move?**

KPMG:

The study assesses the potential economic impacts within Bristol – both in terms of economic output (GVA) and employment. These are the net figures reported at the Bristol level.

There are also gaps and uncertainty how this option fits in with the CPNN development.

- **For example, would this lead to even more housing?**

This would be a matter for the local planning authority and is not part of the consideration of these VfM reports

The Chairman of YTL is reported to have said on 9 March 2018, "Without the transport infrastructure [requiring public investment of over £100million] The Filton Arena isn't viable".

- **KPMG report only seems to mention the secured LEP funding (£53m which could be put towards upgrades) – presumably meaning that BCC would still have to find or put £47m towards improving accessibility and sustainable transport options?**

Two of the proposed infrastructure schemes are already planned and funded. The remaining infrastructure is the subject of the capped EDF investment.

- 1. Can the Mayor/Officers confirm the actual amount of capital investment in transport infrastructure which will be required to be funded by BCC if the Filton Arena option is pursued?**

Because the scheme is at such an early stage it is not possible for the costs to be identified.

BCC has therefore capped it's funding to reflect the optimum funding which can be leveraged from the revised business case to a maximum of £53m.

2. How much of this investment would be required in this part of the city irrespective of this major development?

None.

3. Given the vague outline of the proposed alternative Temple Island proposition, how realistic is the suggested figure for the net cost (£25.6m) to the Council of proceeding with a mixed use scheme?

The alternative scheme is at an early stage and the BCC contribution will be dependent on the final scheme and the terms of any development agreement. However, it is possible that BCC would not need to contribute any funding. This has yet to be determined.

4. Please clarify what exactly is a ‘high level appraisal approach’ in making this economic assessment of the Temple Island development?

KPMG:

The “high level appraisal approach” refers to the approach and assumptions that have been made as a result of the limited data and information available at present. We use a standard approach to estimate the impacts, based on Government statistics and guidance. For example, the direct employment estimates provided by BCC are based on the Homes England estimates for average employment for different types of developments – referred to as employment densities.

As more detailed information and data becomes available a more detailed assessment could be undertaken, as we note in our report.

5. KPMG state their assessment of the proposed alternative use for the Temple Island site should be viewed as ‘indicative only’. On that basis therefore, why should the Mayor, Members or the general public take any of their projected figures seriously?

KPMG:

It is indicative because it is reliant on a development plan that is subject to change and still in development. Should the decision be made to proceed with an alternative use for Temple Island then significant additional work will be needed to optimise the use mix and density considering a range of priorities.

As we highlight, as more information and data becomes available, the analysis could be updated giving greater insight.

6. What safeguards can BCC put in place to minimise economic risk or exposure should the Mayor decided to proceed with the mixed-use option for Temple Island?

This will form part of any development agreement.

7. How widely were the results shared of the Council's initial 'land use optioneering exercise' for the Temple Island site?

The work was undertaken by an internal officer team within BCC, who shared the analysis with KPMG and third party property advisers.

8. Will the extra cost of building the Arena at Temple Meads be met by BCC alone and financed through extra borrowing?

The VfM study sets out the BCC capital contribution; the extra cost would need to be financed through increased borrowing.

KPMG: Yes, that is the position assessed.

9. The KPMG report says that there will be £26m of public money to develop Temple Island into a conference centre - where does this money come from?

Page 11 of KPMG's report on the VfM of the alternative development scenario for Temple Island argues that £25.6m of funds currently allocated to the development of the site could be allocated.

This figure is made up of the following:

- The anticipated net receipt from the sale of CMR to the University
- CIL
- A transport contribution

This money could be made available to support the development of the site, which could include a conference centre.

10. Can you confirm whether or not most funding will be sourced from the Treasury?

KPMG:

Finance for the arena will be borrowed from the Public Works Loan Board, part of the UK Debt Management Office

11. Based on the new estimates, how long, if at all, will it take for BCC to recoup the capital costs of locating the Arena on the present site?

KPMG:

Should BCC choose to retain ownership after 25 years then current projections show it will not have fully repaid the capital for the arena until between years 35 and 40.

12. What safeguards – legal or contractual – will be put in place to ensure that YTL Developments UK do not come back to BCC at a later date for a construction contribution?

This will be covered in the proposed legal agreement between BCC and YTL.

13. What contingency planning will there be should the YTL venture catastrophically fail or exceed budget?

Proposals will be developed over the exclusivity period.

14. Does the Mayor recognise it is vital that BCC is not held-to-ransom over the delivery or future running of the Arena itself?

This risk is recognised in the KPMG report.

15. Is there not a danger that in defining the terms of reference for this review so narrowly, the Mayor was pre-determining its outcome?

The terms of reference were the same for each proposal, however it is recognised that the level of available information is different.

16. The social and economic case for the Arena is fairly established (politically and in the KPMG study) has there been any attempt made to quantify the cultural and environmental impact of either site?

There was the ERS venues study in 2014 and early engagement with the Bristol Music Network. There has not been any further work on this since, pending a decision on the project.

KPMG:

The FBC refers to the Environmental Impact Assessment that was produced as part of planning applications.

The KPMG report provides a review of the potential social impacts that could be associated with an Arena development in Bristol. These impacts are not monetised, however, and we are not aware of any similar Arena project for which these type of impacts are monetised.

The KPMG report details evidence from existing studies of the cultural impacts that have been reported from arts and culture initiatives. However, these are not arena specific and relate to the impact that arts and culture can have more generally. We recognise that the social impacts, including cultural impacts, should also be considered as part of the VFM for the arena, both the Temple Island Arena and Filton Arena.

Environmental impacts are not assessed in the KPMG reports.

17. It is noted that car parking income will be an important component in this project, have there been any indication of the amount of parking to be provided at the Filton location and the potential income stream this will generate?

The parking requirements will be established through the transport assessment and then planning process.

Any income from parking will be part of YTL's proposal.

18. Has YTL given any indication as to how long it will take for them to produce more detailed plans for their arena?

The exclusivity period (6 months) will enable more detailed plans and information to be developed.

19. Without this information, which also impacts on deliverability and risk, how is the Mayor seriously expected to make a judgement over the viability of the alternative site?

This will be a matter for Cabinet on 3rd July.

20. The report suggests the mixed-use option for Arena Island carries a higher degree of deliverability risk because this concept is still at an early planning stage, how then is KPMG able to provide such a favourable economic assessment or case for this option?

KPMG:

We have provided details of the prospective economic benefit if it was to proceed.

As the report states, the economic analysis is based on the proposed scheme being delivered as planned. The estimates are based on Government and ONS data for the sectors and types of development proposed. Should the scheme not be delivered as initially planned then the economic case would need to be adjusted accordingly. This is why we have suggested that as more detailed information and data becomes available the analysis is revisited.

We have not discounted the results of the economic assessment for deliverability risk although have stated the risk.

21. Has any attempt be made to actually estimate the level of risk involved here?

Only to the extent as laid out in the KPMG report.

A more detailed risk assessment will be developed during the six month period, for both projects

22. The possibility of BCC taking a minority equity stake in the Filton Arena is mentioned in the report. How much would this cost (I've seen a figure of £5m), how would it be financed, what financial risks could this potentially expose to the taxpayer?

These negotiations would be undertaken should a decision be made not to pursue an arena at Temple Island.

23. Finally, has there been any analysis, consideration or evaluation of the likely or foreseeable traffic and environmental impact of relocating the Arena to Filton? If so, what were its findings? If not, why has this not been undertaken? Without such information, how is anyone expected to make an informed decision on the comparative merits/demerits of each site?

Not at this stage and the work in the exclusivity period will include the development of a detailed transport assessment which will address these issues

Consideration of these issues is likely to raise even more questions during the short time available to comment before the Mayor decides on the Bristol Arena's location. Nevertheless, it is essential that Members fully understand the strengths, weaknesses and any limitations of this VfM study when it comes to expressing any personal preference they may have in this matter.

OSM Question(s) I - Questions submitted by: Cllr Anthony Negus

Q1. Arena Island cost escalation.

Please identify the changes in construction cost estimates, inflation, Infrastructure and associated external works and ancillaries that have increased the cost of this project since the last budget was announced.

The initial budget of £91m was approved by Cabinet in 2014. This was for an Arena on half of the site only, as the HCA owned the site at that time. A cost increase of £4m was reported to Cabinet in 2015. In March 2016, after the Council had acquired the whole of the site from the HCA, Cabinet approved a further £28m for additional infrastructure taking the total budget to £123.5m. Council agreed the capital budget of £123.5m in February 2017.

Cost control on the project has been via a cost plan, produced by AECOM. When using the NEC 3 Option C Target Cost contract, the cost plan is replaced by the Target Cost when it is known, i.e. you replace a cost estimate with a tendered cost.

BCC were unable to get a tendered cost for the project in 2016 as it was unable to proceed with the previous contractor to Target Setting.

A decision was then made to update the cost plan, which in the spring of 2017 showed the project as costing £149.6m.

Buckingham Group replaced BYUK in April 2017 and produced the Target cost in October 2017, with a revised and improved Target Cost the following month.

What we are therefore seeing is the replacement of a cost estimate with a tender cost, which offers greater cost certainty. There is no benefit in comparing a cost plan with an actual tendered project

The scope of the project has not increased since 2016. ,

Significant VE needs to take place to achieve the Target Cost.

Q2. Public funds

Please advise the terms on which the LEP grant was originally awarded as it now appears that this money is being diverted from a sub-regional business generation purpose to prematurely subsidising a burgeoning private venture.

The £53m from the EDF is financed by retained business rates growth across the Enterprise Zone and Enterprise Areas. A Final Business Case was submitted to the LEP in early 2016. Final approval by the LEP is co-terminus with a cabinet decision to approve the building contract and proceed with the project.

If the LEP was to agree to the funding being diverted to an alternative scheme, it would follow a Full Business Case review and would have to be focused on the delivery of additional public infrastructure.

OSM Question(s) J - Questions submitted by Green group councillors

Priority Questions:

Q1. – Cllr Eleanor Combley

We are concerned that this is a Value For Money Analysis, not a Value for Bristol analysis.

There are two big problems with the analysis. The first is that it has a narrow brief, focussing on money. It doesn't include social impacts on communities in the city, health consequences, environmental impacts, climate change (emissions) impacts on the city, wider economic impacts on communities, and the wellbeing consequences of a facility like this at two different locations. The second big issue is that it contains many unfounded assumptions and unquantified impacts. If you put dodgy numbers into an analysis you are going to get dodgy numbers out.

- **Will the mayor commit to quantification of environmental and social risks and benefits before the decision is made?**

The KPMG report was focused on value for money and some of the economic benefits to assist the mayor and cabinet on agreeing a way forward for the Temple Island site.

It will be for cabinet to decide what further information is required to enable them to make a decision.

Q2. – Cllr Clive Stevens

- **The financial modelling carried out by KPMG is an important part of the decision making process but these are not enough in isolation, so can OSMB clarify what should be the decision making criteria on the preferred location of the arena?**

We request that the tender specification for these financial modelling reports is given to OSMB – to date we have only received the tender specification for one of these reports.

The letter of appointment for the extra scope of works will be issued

Q3. – Cllr Carla Denyer

- **Has anyone asked the LEP and WECA what the process would be for transferring LEP funding that has already been agreed to be spent on building costs at Temple Meads, over to paying for transport infrastructure in Filton - if so, who asked them and what was the answer, and if not, what reasons does the Council have for believing that the expectation of this reallocation is realistic?**

Preliminary discussions have taken place and the agreed process, included in the detailed pack of supplementary information, will follow.

Q4. – Cllr Jude English

Highly respected experts have now issued a stark warning that failure to build an Arena at Temple Meads site will have a catastrophic effect on Bristol City Centre hospitality industry with the potential loss of hundreds of jobs. They also suggest a potential loss to the city of at least £50million per year in tourist revenue for this sector.

- **Where is the risk analysis and economic impact assessment for this important industry sector and how will this economic risk analysis be used and weighted in the executive decision making process?**

KPMG:

KPMG's aim has been to set out whether the economic potential of the Filton site is sufficiently attractive, from a VFM perspective, to influence the decision making for Temple Island and set out clearly the stage in development of those plans and the risks associated with the early stage in development of the project.

Q5. – Cllr Jerome Thomas

The Filton report (Source page number) clearly explains how YTL's underlying interest is not in the Arena but in the associated transport improvement to their surrounding developments. YTL has no prior experience in running an arena, and arenas tend to need public subsidy.

Given this, how can the Mayor and Cabinet assure us that an arena will actually be delivered at Brabazon, and that this will be an arena that delivers for the city and not just for YTL?

YTL has appointed a professional team experienced in developing, delivering and operating an arena

The KPMG report acknowledges the risks associated with the delivery of an arena by YTL and these will be mitigated during the next six month development stage and then by the legal agreement between both parties

KPMG reports the strength of YTL group with in excess of £4bn worth of net assets.

YTL Developments has already committed to investing in the South West with planning already approved for the 352 acre airfield development.

YTL committed to investing long term value in Bristol & the South West.

YTL is a major global developer, have never sold a business since incorporation in 1955 which includes operating leisure, hotel & hospitality businesses.

Q6. – Cllr Eleanor Combley

The report on the Brabazon hanger says “YTL has not provided as to the level of costs they are willing to sustain before the Filton Arena becomes unviable to it.” This seems a substantial risk, especially given that the reports confirm that granting a 6 month exclusionary period to YTL to develop their plans for Brabazon could spell the end for any prospects for a city centre Arena. This could lead to a situation where a private company is able to hold the Council effectively to ransom, as they are able to walk away at any point from the only remaining option for a Bristol Arena. It is also the case that significant transport costs could be incurred to benefit YTL without an arena being built.

- **Can the Mayor and Cabinet confirm that they would never agree to any exclusionary period without a binding legal commitment from YTL that they will deliver the arena in the event of additional costs being needed?**

The KPMG report acknowledges the risks associated with the delivery of an arena by YTL and these will be mitigated during the exclusivity development stage and then by the legal agreement between both parties should a decision be made to go down this route.

OTHER Questions – not in priority order but we would like written answers to all of these please:

A. Overall summary and high level questions – Cllr Eleanor Combley

Although some risks are identified in the KPMG Value for Money reports, we are concerned that this unsystematic approach to the evaluation of risk is very unsatisfactory. This is mainly because the terms of reference given to KPMG did not include a requirement to risk assess the different options being put forward.

- **Can we have a simple risk assessment matrix relating to the key risks associated with each of the reports / arena locations be developed to include: Range of likely value if risk materializing / probability of risk materializing / risk reduction mechanism?**

These are complex developments and each of the reports identifies the key risks associated with each proposal with a focus on deliverability due to the different stages of project development. Further risk adjustments to the models or probability scenarios on external factors outside the Councils control will be subjective and add little additional value to the details already provided.

B. Arena at Temple Meads (all asked by Cllr Jerome Thomas)

We note from the reports that the proposed Bristol Arena location at Temple Meads represents reasonable value for money and it is anticipated that Bristol City Council will get a return on its investment. We are concerned that the future anticipated capital value of the Arena site in 25 years' time of £66million in KPMG report is a significant underestimate, given the level of anticipated income from the arena and its car park.

- **What is the terminal value of that land and buildings, including the car park area?**

KPMG:

£66m, based on a value in use as an arena, net of lifecycle cost allowances, and present value of future cash flows.

- **We are concerned that the Internal BCC costs of Temple Meads may be overstated at over £30m. Please can you explain this figure?**

As stated in Part 2 of the report, BCC' costs are stated at £34.2m. We are unable to break these down at this stage of the development as they entail BCC's commercially sensitive information. This information can be accessed in the unredacted version of the background paper.

- **Last year apparently concert sales grew 12% and mainly for big events. If a higher growth rate is considered how does that transform the financial modelling?**

KPMG:

In direct financial terms, any upside from increased arena utilisation would fall to the operator for both the Temple Island Arena and Filton Arena schemes, not to BCC.

If there are a higher number of ticket sales and an increase in attendee numbers compared to those figures on which the analysis is currently based for either arena, then the economic impacts would likely be higher.

- **Assuming BCC retain the land that the Arena is built on (we lease it to the operator for 25 years), the financing is averaged at 2.8%, this includes much long term debt at 3%. The Treasury report to Full Council in February 2018 showed 50 year PSBR rates at 2.6%. This 0.4% difference over 50 years (on £92m) saves approximately £18m of debt.**

Please could the most likely financing costs be modelled and incorporated in the numbers.

The 2.8% used in the analysis is a blended rate based on a mixture of loans, using current assumptions of future interest rates. Latest economic forecasts indicate long term interest rates will rise marginally over the medium term, as set out in the Treasury Management Strategy. The rate applied to the model is therefore a prudent estimate. If the project progresses then the authority will evaluate borrowing in advance of need. However, the borrowing strategy for the Arena will not be undertaken in isolation. The Treasury Management position of the authority including the future capital programme and planned borrowings and investments will be considered before undertaking any further external borrowing to minimise the net financing costs while also managing the treasury management risks exposed to the authority.

KPMG:

As of 18th June 2018 the 50 year PWLB rate is 2.78%. So the modelled figure of 2.8% is broadly correct. That is without any margin or contingency for interest rate rises before execution.

- **What support does the leadership team in the Council need to deliver the Temple Meads arena on budget and within acceptable time frames?**

Cabinet will need to approve the budget envelope for the project and ensure the appropriate delegation, reporting and governance is in place to ensure the agreed milestones can be achieved. A resourcing plan will need to be agreed to increase the Project Team back up to full strength. BCC will need to promptly agree the target cost with the contractor and sign the building contract to enable start on site. This approval will also give great confidence to the supply chain and have a positive impact.

C. Arena at Filton

The following asked by Cllr Carla Denyer:

- **It is clear from the modelling that the numbers forecast by YTL to attend an Arena at Filton (1.3m per year after year 5) are quite different than those if it were at TM (600k/yr after year 3). Why is there such a difference in the assumed numbers?**

Top UK arena's above 15,000 capacity achieve 1.2m to 2.7m annual attendees - YTL early projections are at the low end of this scale by year 5 (2026-27)

KPMG:

The higher attendee figures are linked not only to the increased capacity of the arena but the higher number of events that YTL has indicated it would stage. The number of events and annual attendees anticipated mean that average capacity utilisation of the arena would be approximately 58% compared to an expected average capacity utilisation of the Temple Island Arena of 45%.

- **YTL assert that the employment numbers of the proposed arena at Filton are double those of the arena at Temple Meads. What is the basis for this assumption?**

Employment numbers are in line with operating a 15k+ capacity UK arena with the planned event schedule.

- **If the Brabazon hangars are not developed as an arena there are plans to develop them as offices – should the value for money assessment compare this economic benefit of the Filton arena versus the other planned uses of that space? In other words should there be a report on the alternative uses of the Filton site and its economic benefits in the same way that there is for the Temple Meads arena?**

KPMG:

As noted in our report, KPMG has been informed by YTL that if the arena is not brought forward in the Brabazon hangar, the hangar will continue in its current use – that is the East bay being rented for small scale manufacturing use and the West bay used for storage and warehousing by YTL. The central bay is not in use. YTL has told us that it is not making any alternative plans for the Hangars while the opportunity to develop an arena remains. We have not been informed by YTL of any plans to develop the hangars as offices.

We recognise that with the wider developments in the Filton area it is unlikely that the site would remain undeveloped indefinitely and some alternative may be brought forward over the 25 year period our appraisal is based on. The economic impacts associated with any alternative development would represent what's called deadweight. We consider that there would be limited deadweight in the near future given the lack of plans. But there may be some degree of deadweight in the medium to long-terms.

No consideration has been given to alternative use by YTL for the hangars

- **There is no evaluation of the environmental and congestion related costs of the modes of transport to Filton vs Temple Meads and the impact of people arriving by car for Filton arena events at close to peak congestion times. What value/cost should be put on this?**

It is expected that this will be covered in the YTL transport assessment to be produced during the exclusivity period should a decision be made by Cabinet to go down this route.

The following asked by Cllr Jude English:

- **The Filton site is right next to Cribbs Centre. Hotels and other entertainment to follow. Setting up here is moving the economic centre of Bristol to the North West, further from South Bristol which is a**

particular area the Mayor is trying to revitalise. Given the years that it took for Broadmead to recover from the relocation of John Lewis to Cribbs Causeway what monetary value should be put on this risk?

It is not possible to quantify any such impact.

- **KPMG were only provided with an executive summary of a consultant's report indicating the technical feasibility of installing an arena in the Brabazon hangar, rather than anything more detailed. Therefore there is a not insignificant risk that the Brabazon hangar is not a credible arena location. Why were they only provided with the executive summary?**

KPMG:

We requested the full report but were only provided with the Executive Summary. It is not unusual for people to protect commercial confidences and the Executive Summary makes clear the assessment of technical feasibility.

YTL has only commissioned high level technical studies at this stage to understand:

- 1) Can an arena fit within the superstructure of the Brabazon Hangar?
- 2) What technical solutions exist & what requirements would need to be considered.

Both reports confirm an arena is a viable option in the Brabazon hangar.

The following asked by Cllr Martin Fodor:

There's very detailed national planning policy and practice that sets the 'sequential test for development' and establishes the requirement for a city centre site for major facilities like the arena, and the rejection of out of town sites when a central location is already available (as we have in Bristol). The reports don't deal with this fundamental planning aspect of the decision that has effectively already been made (as we have an approved site with permission and a developer).

- **How will the report to Cabinet/Mayor therefore deal with this statutory issue and what is the advice of officers on the location?**

Any proposal to support the development of an arena at Filton would be subject to the normal statutory planning process

Arena Island alternative uses:

D. Key risks associated with alternative uses of Arena Island – asked by Cllr Charlie Bolton

- **On page 11 of the alternative uses report it states that any alternative use would include a large offering of office and commercial floorspace aimed at firms in financial and professional services, supported by over £25million of public funding. It is conceivable that there could be decline in these sectors of the economy following Brexit and that developers may well not come forward with any proposals for alternative acceptable**

uses of the proposed arena island site. Can the Mayor and Cabinet explain why giving £25m of public subsidy to what would be a private mixed development of mainly retail and offices will be acceptable?

The financial arrangements will depend on the nature of the development and the deal with a private developer, if Cabinet decide to go down this route.

Any public investment in the site would need to be justified in its own right and subject to a Full Business Case.

- **There is also a stated commitment from a private developer to build a conference centre/hotel/houses on Arena Island. What commitments have been made? Similarly there remain significant concerns that no such developments will materialize.**

No commitment has been made

E. Questions of clarification – asked by Cllr Jerome Thomas

- **In the risk assessment in the background document on page 40 it mentions the HCA (now Homes England) having an option on some of the University land. Could OSMB explain the ramifications if they take up this option?**

This option for the HCA to buy back the land lapsed on 30/09/16 and the HCA has confirmed that this option has expired.

- **Are the University definitely going ahead with developing both parcels of land in BTQEZ? If they only develop one of the parcels (e.g. the old sorting office) how does that change the catalyst aspect of the Arena on this site?**

The UoB has submitted planning for both parcels of land and is a matter for the UoB.

- **On page 43 of the background document it talks about other sources of funding? What are these please and how would they affect the VfM**

Potential sources of additional finance are set out in the document, and would equate to grant funding rather than prudential borrowing – thus reducing borrowing costs. All of these sources would require funding being diverted from other Council or other local priorities, and there is no certainty that they could be achieved.

- **The report suggests the MRP recurring costs could be improved. How could we do this and what impact would it have on the financial modelling?**

The question relates to assumed debt profiling for this project, that could be marginally improved by tailoring the loans (increasing the number and varying maturities) so that the debt profile is closer aligned to Arena cash-flows. This could

potentially marginally reduce the financing cost (estimated to be some £500k over the 25 years of the project assessment).

In reality, however, Council borrowing will be undertaken in accordance with the Council's Treasury Management Strategy which will aim to minimise debt financing costs, and will mean debt structured to cover wider capital financing requirements, rather than limited to the cash-flows associated with this one project.

- **What sort of planning conditions would be required for a large, busy and loud arena in Filton in the middle of what is really going to be a large housing estate?**

Conditions imposed are likely to be similar to those relating to an arena at Arena Island.

- **There are £12.2m of sunk costs already included in the KPMG cost analysis. How much of this is irretrievable if the Arena isn't built there e.g. designs, planning fees. And how much of it adds value to the land like demolition or clearance?**

This is a similar question to Q2 at the beginning of this list of questions. If the arena is not built on the Arena Island site, then it is likely that some of the £12.2m expenditure incurred on the scheme to date, which is not part of the £53m, would be deemed abortive, where it could not be applied to an alternative investment. This means that we would not be able to treat this as capital expenditure, and would require funding from the Council's reserves.

EXTRAORDINARY OSM BOARD

Additional questions from Cllr Gary Hopkins (OSM Board member) Received just before OSM meeting 18 06 2018

1 What are the terms of the sale of land to the university?

The terms of the Sale of Land at Cattle Market Road and Arena Island are set out in the Cabinet report of 7th March 2017. The sale relates to 2.9ha of land extending across the two sites. BCC is in a conditional contract with the University of Bristol, with the University having committed to paying market value for the land interest.

2 A lot of the immediate economic benefit from the arena was to be obtained from enhanced land values and ancillary development. How have these been affected by the university deal?

The University of Bristol deal will deliver economic impacts in the surrounding area. This weakens the direct catalytic impact of the proposed arena as the impact cannot be double counted; the University deal will deliver some of the benefits that the arena was initially forecast to.

3 The council would have benefitted from ongoing income from development. How has this now been affected by for example student accommodation being council tax free?

The large prospective benefits of the new campus is set against a potential level of “foregone income” from business rates and council tax income for BCC. UoB is eligible for charitable relief from business rates and student council tax exemptions. As a result the proposed campus can be expected to generate less business rates income for the Council than would be the case with purely private sector occupiers on the same TQEZ site. However the UoB’s proposal is expected to bring forward other development, occupation and business rates sooner and faster than alternative development scenarios and stimulate growth. This matter was considered prior to the sale of BCC’s land interest.

4 The cost of construction is much higher than arena comparators. This has been put down to the site, the design and the delays. Can you attribute amounts to each?

The question should really read the “cost per m2” rather than cost of construction (No cost of construction data has been supplied).The cost provided by Buckingham has been built up on a Works Package basis and not separated out into headings such as the above. This is because there would be significant overlap between these items, for example the sub-contractor rates provided would incorporate the delay, the design and the site abnormalities, and therefore any apportionment would be highly subjective.

The report does list some of the contributing factors, other areas that might have contributed to the higher rates include:

- Building design and space requirements associated with dual level access from both the Arena Island Plaza and Bath Road.
- Changes in Regulatory requirements since comparable venues have been constructed, for example the 2015 Building Regulations 2015 introduced more stringent Part L requirements, which have required the Bristol Arena to incorporate more efficient and expensive Mechanical and Electrical systems, higher performing building envelope, etc.
- Bristol City Council Planning requirements: For example Bristol Core Strategy BCS14 requires sufficient on-site renewable energy generation to reduce CO2 emissions from residual energy use in the buildings by at least 20% (above the Part L2A National Calculation Methodology) is above the requirements other Arenas have had to meet. Selection of a Target Cost Contract. Negotiation of Target Cost leading to loss of competitiveness in tender process resulting in higher build costs.
- Increased sub-contractor prices due to sub-contractor apathy and low market confidence, evidenced by factors such as 42% of the total value of the Target Cost offer was based on returns by less than 3 sub-contractors per construction package.
- Increased preliminaries costs due to site location – constrained site, Network Rail issue, River Avon etc.

It is not possible to break these down into individual costs as they are interlinked. As a point of clarification to a question raised during the OSM session on Wednesday 20th, the AECOM costs per m2 used have been indexed and are up to date.

5 The previous mayor stated that he wished he had just proceeded before leaving office. What real barriers stopped him ignoring political calculations?

To answer this question we need to explain the status of the project in May 2016. The previous contractor, BYUK were only appointed to the pre- construction phase in April 2016, a month before the Mayoral elections and required a minimum prescribed period of 20 weeks in which to develop target costs. A target costs was not achieved and the PCSA was ceased in Jan 2017.

6 Over £20M was taken out of the build costs without affecting the operation. When was this achieved and what barriers were there to doing it earlier?

We assume that the question relates to the savings BGCL state they can achieve with Value Engineering. This was not possible before getting BGCL to present a target cost, which they did in October 2017. BCC needed to obtain a tendered cost for the project so as to then compare it with the available budget. High level due diligence was undertaken on the Value Engineering proposition following which an agreed position was arrived at with the contractor.

As background context, the BCC approach to VE was to seek the maximum VE possible by the contractor, whilst protecting the “core” scheme e.g.

- Capacity of 12,000
- Agreement for Lease specification with the operator
- Maintaining the detailed planning permission granted in April 2016

7 What is the rate of construction cost inflation since June 2016 and what therefore is the monthly cost of delay?

According to the Building Cost Information Service (BCIS) the rate of tender price inflation since June 2016 to June 2018 has been 12.06%.

Tender Price and Construction price inflation form part of the Target Cost, and are one of a number of components that make up this figure. The contractor is committed to the Target Cost of £122.1m.. We will not know the final agreed initial construction cost until the building contract is let. This could present a risk or opportunity.

Most important of all, the delay to the project from November 2017 as a result of the alternative scheme has led to the operator developing their position on the project in February 2018, which has meant that the annual rental and capital contribution have increased. This has improved the overall financial position of the project (amount commercially sensitive).

8 Is part of the risk to the council attributable to the likelihood that our present contractors could be vulnerable to financial shocks and could fail?

A building contract directly commissioned by BCC would have a greater risk than a potential private sector delivery. BCC would seek to monitor the contractor's financial position over the life of the contract and BCC has Performance, Retention and Off Site materials Bonds in place should contract or performance issues arise.

At Filton the contractual relationship would be between YTL and their building contractor when appointed, so a different risk profile. This is a standard project risk for a construction project, but is identified by KPMG as a low risk.

9 What has been achieved on the Temple meads project since the review broadened out to consider other venues?

To reduce the weekly costs being paid by BCC to BGCL over this period, BCC suspended the contract with BGCL in November 2017. Although the contract is suspended, work can still be instructed. The focus has been on planning and preparation, whilst committing only limited funding pending a decision on the project. The design team has effectively been stood down and the Project Team has reduced in number to save abortive costs. The Value Engineering areas have been identified and explored with the operator and planning authority, but full design of these areas has been put on hold.

10 What is the make-up of the "mixed use" replacement development at TM and how long would it take to deliver?

The mixed use proposals for the alternative scheme are at an early stage of development but currently incorporate residential, commercial (office) and modest retail elements with associated parking provision. Scope also exists to incorporate a hotel and conference facility within the overall development mix. Delivery will be dependent upon market conditions and the scheme mix. Analysis undertaken by KPMG at this time would see development occurring over a 6 year time horizon.

11 Included in the headline cost to Temple Meads are the council's client costs. How much of that to date has been specific to TM, how much to Brabazon and how much is generic?

All of the expenditure is for the Arena at Temple Island.

12 What will be the total council costs to date and overall if the project switches to Brabazon?

The total costs incurred 2014/15 to date is £12.5m for AI Arena (an update on the £12.2m figure used in the KPMG reports which was at a point in time), It is anticipated that some of this will be abortive cost and subject to revenue reversion. In addition to the above further costs and or commitments have been incurred in undertaking the VfM studies and working on the development of the alternative proposals.

13 By what means of transport will customers access the potential Brabazon arena?

It has been suggested that there is a mix of options, which have been discussed between BCC and SGC, to get to and from the Brabazon Arena. The final solutions

will not be finalised until the transport assessment has been developed by YTL, as part of the planning process. However, a possible list could include:

- Metro Bus Extension – which is planned to be open before the Brabazon Arena
- Metro West 2 – which is planned to be open before the Brabazon Arena and will take people from Temple Meads to the new station at Brabazon
- The rail link between Brabazon and Bristol Parkway is being discussed but a delivery date cannot yet be confirmed
- Park and Ride sites
- Regular bus services
- Walking and Cycling
- By car with some parking on the Filton Airfield site and maybe in adjacent car parks

14 What is the total cost of providing all of the required transport infrastructure and who would pay?

The Metro Bus Extension and Metro West 2 (MW2) have already been planned and are funded up to the latest estimate. These are being delivered as part of the Cribbs Patchway New Neighbourhood (CPNN) development.

As stated previously, should this option be pursued BCC has capped its infrastructure investment at a level of £53m; subject to WOE Joint Committee approval of a business case. The funding will be used to contribute to the delivery of public infrastructure improvements in the area which will create the right conditions to stimulate and incentivise growth.

15 Where is it envisaged that the pubs restaurants and hotels that will generate huge profits would be sited and what are the planning constraints?

This will be subject to the planning process should Cabinet elect to pursue this option.

16 What arrangement is in place to prevent YTL benefitting from public sector infrastructure investment and then radically changing their plans?

This would be part of the legal agreement with YTL should Cabinet elect to pursue this option.

17 What is the projected added cost at TM due to inflation of the TM site if a 6 month or longer pause is agreed to?

The contractual arrangements with the Operator and Contractor do not allow for a 6 month or longer pause.

18 At what date will

A A contract that guarantees the Brabazon arena delivery

B Final agreement on transport infrastructure

C Completion of the whole scheme take place?

This will be firmed up during the exclusivity period should Cabinet decide to pursue this option.

19 Have any assurances not yet ready publicly disclosed been made to YTL?

No

20 What commercial arrangements do the authors of these reports have with any of the commercial companies involved?

KPMG:

Large professional service firms work for many organisations in the public and private sector, whose interests may, on occasion, compete or conflict.

KPMG has policies and procedures in place to identify and manage any potential conflicts of interest when taking on new work and in the delivery of that work. We are satisfied that no conflicts exist in this case, given the nature, scope and timing of the work.

EXTRAORDINARY OSM BOARD

Additional questions from Cllr Eleanor Combley (Green group leader)

Received on 19 06 2018

Q for KPMG: Cllr Alexander raised the issue of libraries funding, which does sound worrying, so I just wanted to check: if the council schedule their debt repayments as you recommend, how much would an Arena at Temple Island cost in revenue terms in, say, each of the first 5 years of operation?

KPMG: As stated in our reports, based on current interest rate assumptions it is possible to sculpt debt repayments such that the arena does not result in any revenue cost to BCC in the first 5 years, ie net income received is more than sufficient to cover finance charges and MRP.

Q for Colin Molton (or Nicola Beech if she attends): How much land in the TQEZ, the wider St Philip's Marsh area or the centre as a whole has already been identified for housing / mixed use development?

The areas outlined in this Question (TQEZ, St Philips and the Centre) have different planning designations and policies and the situation is therefore different in each area. For the central area and TQEZ, various documents exist which outline the Council's aspirations for development within these areas – such as the TQEZ Spatial Framework. Mixed use development and housing is encouraged on certain sites within these areas in order to ensure vibrancy and vitality. With regard to St Philips, Proposal CDS3 of the Local Plan Review suggests to designate this area as an area of redevelopment and change. This approach would allow for development of new uses and could include mixed uses, including new homes. Development will seek to ensure that the total number of jobs in the area will be increased.

How much of that already has developers lined up?

We are only in control of the land we own in terms of disposals and whilst we are aware of some recent transactions in St Phillips Marsh, we are not in a position to give an overall picture.

Q for KPMG: When KPMG model the leakage, are these generic national-average type figures, or do they take into account the specifics of the situation i.e. having a rival retail & hospitality centre close to the alternative site (paying business rates to a different authority)? Does that loss of business rates to Bristol and decline in economic activity get taken off the value of the development?

KPMG: Homes England guidance provides national average leakage figures for different types of developments with guidance on the appropriate levels to assume if leakage is considered on a range from very low to high. In selecting the appropriate level KPMG has taken into account the specifics of the situation. The business rate estimates are based on BCC's analysis and reflect that 50% off the rates received go into the West of England EDF pool.

Q for KPMG: When they model the financials etc of alternative uses for Temple Island are these general/average figures or do they take into account what is already there in the city and the law of diminishing returns? For example, if there is already a conference centre in Bristol, any new conference centre will be competing for the same business, so at least some of the gains at Temple Island represent South Bristol losing out.

KPMG: The economic analysis takes account of displacement.

Bristol City Council Equality Impact Assessment Form



(Please refer to the Equality Impact Assessment guidance when completing this form)

Name of proposal	Bristol Arena Project
Directorate and Service Area	Growth & Regeneration
Name of Lead Officer	Colin Molton

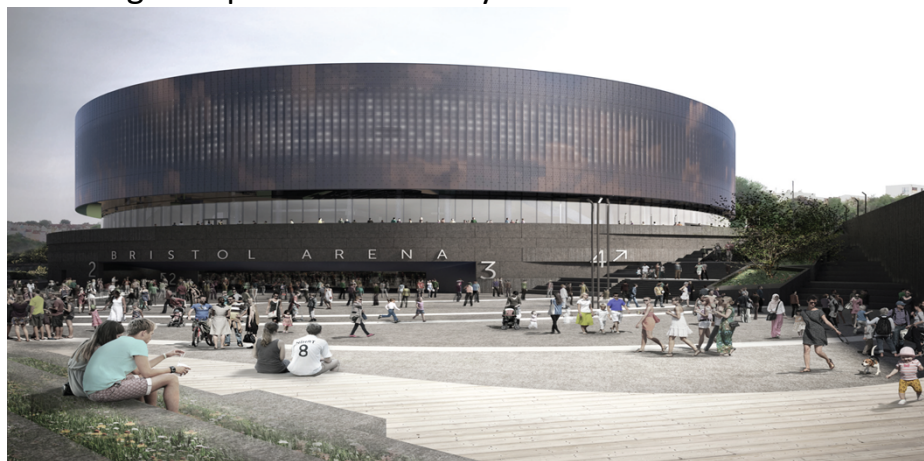
Step 1: What is the proposal?

Please explain your proposal in Plain English, avoiding acronyms and jargon. This section should explain how the proposal will impact service users, staff and/or the wider community.

1.1 What is the proposal?

The project is the construction of a new 12,000 capacity indoor arena on the former Diesel Depot (now known as Arena Island), which covers approximately 3.7 hectares. The site is in the Bristol Temple Quarter Enterprise Zone (a 70 hectare area around Temple Meads train station that is set to attract 17,000 jobs over 25 years) and is close to the city centre, major access roads and the national railway network. The arena will fill a gap in Bristol's cultural infrastructure delivering an entertainment venue to serve the city and sub-region, with considerable economic benefits. The venue will host over 100 events a year. These events will be a mixture of music, comedy, family entertainment and sports. The proposed arena can seamlessly convert into a smaller, more intimate 5,000 seat venue.

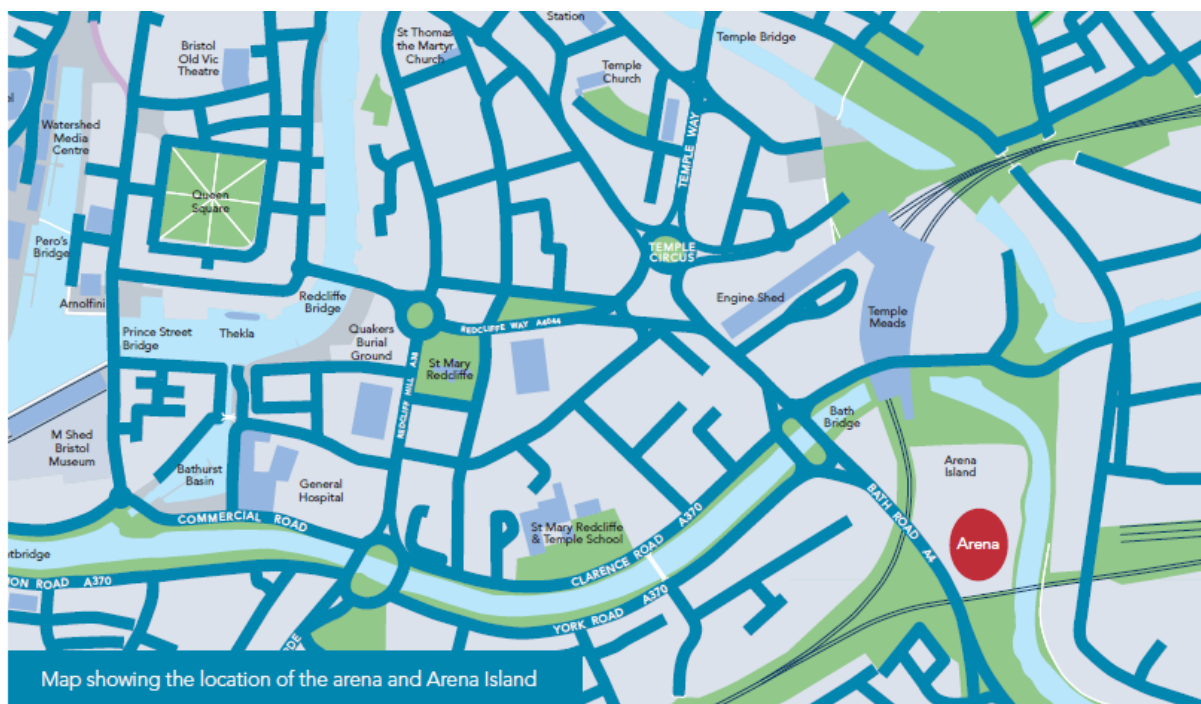
The arena development includes proposals for improved transport links into the area, including new pedestrian and cycle routes.



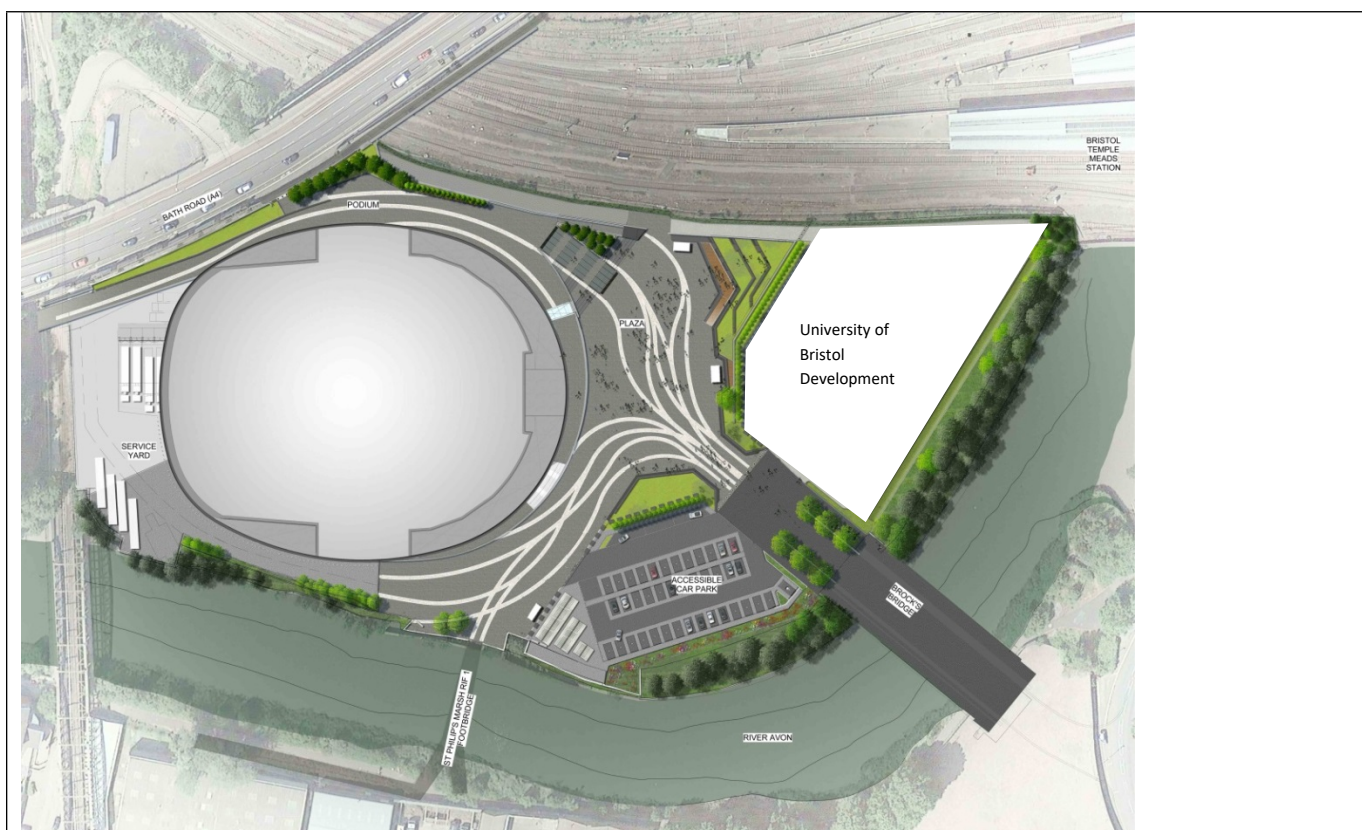
Artist's impression of how the Arena and plaza could look

Benefits

- The Arena will regenerate a derelict city centre site and be a catalyst for development in the Bristol Temple Quarter Enterprise Zone.
- Improved public transport links, cycle and pedestrian routes will ensure visitors can access the arena sustainably.
- Residents living in the city and surrounding areas will have a major performance venue on their doorstep and will no longer have to travel to other cities to see touring arena shows.
- The arena will bring millions of pounds annually in additional spend to the region from business activity, increased hotel occupancy and other related spend.
- Arena Island will become a new destination for Bristol residents and visitors and, over time, will connect with other proposed spaces due for development to create a new quarter for the city.



The 'island' is bordered by the river Avon on the north and east sides and the railway line and Bath Road to the west side. Brock's bridge, a vehicle and pedestrian bridge, provides the primary access across the river from Cattle Market Road to the Arena Island.



To the east of Arena Island, a new bridge (St Philips bridge) will provide a shared 4m wide pedestrian and cycle access from Albert Road and the River Avon walkway. Albert Road is identified as a location for taxi and coach pick-up/drop-off, which will benefit from a direct connection to Arena Island. Ramped access to the bridge will ensure safe and suitable access for all and the design of the bridge will aim to complement the Arena design. Integrated lighting will provide a safe and attractive route after dark, whilst reducing light spill into the watercourse areas.

A stepped access will lead from the arena and plaza to the A4 Bath Road. An externally accessible lift is proposed to connect the plaza at the lower level to the raised terrace, which will provide level access to Bath Road as close as possible to the stepped route. Metal channels will be fitted in to the steps to allow cyclists to wheel their bicycles down the steps. A feasibility options appraisal was undertaken to look at potential for a ramped access between the Arena Plaza and A4 Bath Road. This was not taken forward due to site, technical and cost constraints. In response to mobility difficulties associated to the external steps, an external lift has been provided.

The Arena design includes provision of 272 covered cycle spaces. Further cycle parking provision on Arena Island is proposed as part of the University of Bristol Campus Development, which would increase the number of public cycle parking spaces to approximately 400.

The Arena external design incorporates a 40 space blue badge parking provision alongside spaces for minibus and drop off bays. The number of blue badge bays has been reduced by from 45 to 40 permanent bays in order to incorporate three suitably sized and positioned drop-off/pick-up bays (approximately 3m wide by a minimum of 8.8m long); a 125mm raised kerb will be provided adjacent to the drop-off/pick-up bays to facilitate dropping a ramp from a vehicle to the pavement. The change was made in consultation with the Bristol Arena Access Forum, a sub group of the Bristol Physical Access Chain (BPAC) about prioritising drop off provision on site to allow a larger overall number of people with accessibility requirements to arrive by car, taxi or minibus.

The Arena is split over four floors. There are four main stairs and five lifts servicing all levels. All lifts will exceed the minimum requirement of Part M of the building regulations for wheelchair and mobility scooters users. Each concourse level has concession points for food and beverage offers along with toilet facilities.

The provision of wheelchair accessible toilet accommodation will be based on at least 1:15 provision for wheelchair users and generally located within 40m (although some seating on the Arena floor may exceed this travel distance).

The design includes a Changing Places (CP) facility, which is located centrally at Level 01 to serve the greatest concentration of wheelchair users in the Arena (approximately 80%). A CP facility is for people who cannot use wheelchair accessible WCS and allows people with profound and multiple learning disabilities, as well as other serious impairments such as spinal injuries, muscular dystrophy, multiple sclerosis or an acquired brain injury, and older people the extra facilities required to use a toilet safely, with enough space and the right equipment.

The main entrance is accessed from the plaza. There is also access from the A4 from the proposed podium, but this would be a secondary access route with the majority of spectators arriving onto the island site from the north via Brock's bridge.

Step 2: What information do we have?

Decisions must be evidence-based, and involve people with protected characteristics that could be affected. Please use this section to demonstrate understanding of who could be affected by the proposal.

2.1 What data or evidence is there which tells us who is, or could be affected?

Bristol citizens, in the sub-region and beyond will be able to access the arena

as paying customers to see entertainment acts and shows. There will also be a considerable amount of economic benefit including construction jobs, and a number of direct and indirect jobs created when the venue is open.

The arena will offer entertainment for both children and adults of different age group at different times of the day on both weekends and weekdays. It is anticipated that some events will attract more of a female audience, some more of a male audience, but it is expected that most evening events will attract a 50/50 mixed gender audience, reflecting the balanced gender distribution found in Bristol and described in the table below:

Summary of the Bristol Census 2011 Equalities Statistics

		Gender		Ethnicity			Disability	Sexual orientation
		males	females	White British	non- 'White British'	BME	with a LLTI	Lesbian, Gay or Bi-sexual
Total population all ages	number	213,400	214,700	333,432	94,802	68,642	71,724	n/a
	denominator	428,100	428,100	428,234	428,234	428,234	428,234	n/a
	Bristol %	49.8	50.2	77.9	22.1	16.0	16.7	n/a
	England and Wales %	49.2	50.8	80.5	19.5	14.0	17.9	6

available at: <http://www.bristol.gov.uk/page/community-and-safety/equalities-data-and-research>

According to the table above, 16% of the Bristol population is declared to have some kind of disability under the Equality Act 2010, that is defined as '...a physical or mental impairment which has a long-term and substantial adverse effect on their ability to carry out normal day-to-day activities'. Taking into consideration that not everyone discloses their disability, the actual number could potentially be higher. Therefore, it is expected that a significant number of spectators attending events in the Bristol Arena will have some kind of disability, including sensory impairment and long-term health conditions.

Public Parking on Arena Island will be limited only to 40 disabled parking spaces, due to restrictions of available space. The majority of the audience is expected to travel by foot, bicycle or via public transport. The remaining audience traveling by car would be encouraged to make use of the car park facilities already available in the area.

The Arena is located in the Windmill Hill ward, which is adjacent to the following wards:

- Lawrence Hill
- Southville
- Cabot
- Knowle
- Brislington West

The table below illustrate the characteristics of the population living in the wards listed above:

Ward	Total usually resident population [1]	Population by sex				Ethnic group				Limiting long-term illness or disability	
		Total males	%	Total females	%	White Total	%	Black and Minority Ethnic Group Total	%	People whose day-to-day activities are limited	%
Brislington West	11,355	5,670	49.9	5,685	50.1	10,352	91.2	1,003	8.8	1,774	15.6
Cabot	15,940	8,572	53.8	7,368	46.2	11,741	73.7	4,199	26.3	1,353	8.5
Knowle	11,315	5,608	49.6	5,707	50.4	10,312	91.1	1,003	8.9	2,105	18.6
Lawrence Hill	18,942	10,060	53.1	8,882	46.9	8,493	44.8	10,449	55.2	3,402	18.0
Southville	12,543	6,459	51.5	6,084	48.5	11,353	90.5	1,190	9.5	2,061	16.4
Windmill Hill	13,180	6,614	50.2	6,566	49.8	11,351	86.1	1,829	13.9	1,873	14.2
Bristol	428,234	213,071	49.8	215,163	50.2	359,592	84.0	68,642	16.0	71,724	16.7
England & Wales	56,075,912	27,573,376	49.2	28,502,536	50.8	48,209,395	86.0	7,866,517	14.0	10,048,441	17.9

available at: <http://www.bristol.gov.uk/page/community-and-safety/equalities-data-and-research>

2.2 Who is missing? Are there any gaps in the data?

We have no official data specifying the sexual orientation of the Bristol population. However, for this report we will assume that Bristol reflects the national statistics where 6% of the population is LGBT+.

2.3 How have we involved, or will we involve, communities and groups that could be affected?

Early in the project we started engaging with Attitude is Everything, a national organisation advising on access to disabled audiences to large entertainment venues. The project has also received input from the Bristol Physical Access Chain (BPAC). The Bristol Arena Access Forum (BAAF), a BPAC sub-group including selected young disabled people, has been involved in the project. In addition to making the Bristol Arena a fully accessible venue, with input from our accessibility consultants and our design and technical advisor teams, we are aiming to enhance the entertainment experience of the arena's disabled audience. Further engagement in design and operational phases will be facilitated by BCC and the Arena Operator – Arena Island Limited.

The views of the public and key stakeholders have been sought on the plans for the arena since the project began in earnest in mid-2013, particularly for the Arena Design Competition which took place in January and February 2015. This process has comprised:

- Key stakeholder workshop (about the broader Enterprise Zone, 270 people in attendance).
- Presentations to key groups such as transport groups, Bristol Music Industry Network (BMIN), Civic Society, Bristol Junior Chamber, etc.
- For the Arena Design Competition, there was an extensive online campaign, a RIBA truck at three locations and an exhibition at the M Shed.

The project's pre-planning application public consultation included:

- Extensive online and digital consultation and engagement.
- Two public exhibitions and three public sessions.
- Presentations at Neighbourhood Forum and Partnership meetings of wards adjoining the arena site.
- A key stakeholders meeting to which 207 invitations were sent. The stakeholders invited covered a broad range of interest groups, including the local community, the Old Market Quarter Neighbourhood Planning Network and Bristol Women's Voice.

Through the above activities we understood that the community is generally highly supportive of the project. The main concerns raised were related to how arena events would affect parking in residential areas surrounding the venue.

Old Market Quarter Neighbourhood Planning Network feedback was specifically concerned with how Bristol Arena events could affect the Old Market local nightlife business. They were also interested in how some of the

events at the arena, which would appeal to LGBT+ audiences, could be combined with after parties promoted by the Old Market Quarter.

Although Bristol Women's Voice was not able to attend the stakeholders' session, we are aware that issues such as safety and visibility are of particular importance to women (based on feedback from previous projects). A separate email was therefore sent to Bristol Women's Voice, seeking their specific feedback on the Bristol Arena project proposals. Their main concerns are:

- Women's Safety, particularly at night in relation to the Arena having no car park and women having to return to different areas of Bristol via walking or public transport.
- Equal opportunities and fair pay for women working at the Arena
- Opportunities for women to have access to crèche and childcare facilities to make it a suitable site for women's employment. This includes flexible working.
- Issues around behaviour and attitudes of people using the arena - as highlighted in concerns by our members at some of Bristol's summer festivals (e.g. Harbourside), the misuse of alcohol exacerbates behavioural issues that can impact on women's safety.

All feedback related to accessibility from the Bristol Arena pre-planning application consultation and the BAAF can be found in Appendix II

Step 3: Who might the proposal impact?

Analysis of impacts on people with protected characteristics must be rigorous. Please demonstrate your analysis of any impacts in this section, referring to all of the equalities groups as defined in the Equality Act 2010.

3.1 Does the proposal have any potentially adverse impacts on people with protected characteristics?

Age, Marriage and civil partnership, Pregnancy and maternity

n/a

Disability

Shared pedestrian/cyclist routes to the arena could be a hazard for people with mobility or sensory impairment, particularly accessing and exiting the arena immediately before and after events. The large expanse of steps could be perceived as excluding for people with mobility impairments and older people.

Gender reassignment and sexual orientation

The high flux of people walking back after an event through the Old Market area, who are potentially unfamiliar with Bristol, could potentially increase the chances of homophobic attacks.

Race, religion or belief

The high flux of people walking to/back from an event through the Lawrence Hill Ward streets, who are potentially unfamiliar with Bristol, could potentially increase the chances of racist attacks.

Sex (Gender)

People preying on vulnerable people, or on women leaving the event alone, could target the area.

3.2 Can these impacts be mitigated or justified? If so, how?

Whenever viable the access routes to the arena will have designated areas to separate cyclists and pedestrians. In response to mobility difficulties associated to the external steps, an external lift has been provided. The operator will develop an event management plan with the Council which will set out how people and vehicles will move in through and out of the site during events. This plan will also include details of emergency evacuation

Local police architect is included in the list of key stakeholders engaging with the project development, providing their views to prevent criminal activities.

The main mitigation measures proposed are:

- Integrated lighting to provide a safe and attractive route after dark, whilst reducing light spill into the watercourse areas.
- CCTV cameras covering the access routes to the arena.
- Cooperation between the operator and police where appropriate on event days
- Stewarding/marshalling by the operator on Arena Island during events.

Bristol City Council (BCC) has a strategic group monitoring hate crime and

crime against women and vulnerable people; the group examine hate crime statistics reported from the community and to the police on a quarterly basis. Any increase in hate crime will be quickly noted and action can be taken to mitigate this (e.g. additional CCTV in Old Market or Lawrence Hill, increased foot patrols, increased publicity for reporting etc.)

BCC Overview & Scrutiny Management Board commissioned a working group on the Bristol Night Time Economy, which reported back on March 2014. The Arena project presented to the working group in June 2014 and will seek to engage further in any further working group meetings so that considerations on how the issues identified in this equality assessment and in respect of Arena operations can be integrated into a City Centre Night Time Economy Strategy.

BCC is not operating the venue but the Operator appointed will comply with the requirements of the Equality Act 2010, including equal pay provisions. The nature of an Arena venue has the majority of its works patterns based around the event schedule, which is typically evening and weekends performances.

The Arena will employ approximately 30 full-time staff which would not sufficient to provide a crèche facility. However, there is existing provision located nearby at Temple Meads and Totterdown.

Accessibility points raised during consultation and meetings with BPAC have been considered through the design development and ongoing engagement with BPAC, Attitude is Everything and the Operator.

3.3 Does the proposal create any benefits for people with protected characteristics?

Age

During the construction period there will be a number of construction jobs and potential apprenticeship opportunities which would be suitable for young people.

Disability

The early input from Attitude is Everything and BPAC on the Bristol Arena design is ensuring the best viable disabled-friendly venue possible for Bristol citizens.

Bristol Arena operator – Arena Island Ltd have stated a commitment to achieve Attitude is Everything Silver level of the Charter of Best Practice; which includes a commitment to engage disabled users in planning how the building

operations can ensure the venue is fully accessible.

Gender reassignment and sexual orientation

Once the arena is open, engagement between the operator and the Old Market traders can ensure that local businesses would benefit from nights when the arena is hosting acts which would appeal to the 'gay community'. For example, the traders could organise related thematic 'after party' events to capture the audience leaving the arena.

Marriage and civil partnership, Pregnancy and maternity, Sex (Gender)

n/a

Race, religion or belief

Many of the local businesses in the Lawrence Hill area are owned by BME people. The expected influx of people before and after events could increase business in this area.

Religious groups will be able to use the arena for conferences and events as previously done across the country in similar venues.

Due to the proximity of the venue to Lawrence Hill, the local community could benefit from some of the jobs created during construction and once the venue is open, which will particularly benefit BME people.

3.4 Can they be maximised? If so, how?

Job fairs will be organised in conjunction with BCC, the LEP, the building contractor and the operator to inform the local community about arena jobs opportunities.

Step 4: So what?

The Equality Impact Assessment must be able to influence the proposal and decision. This section asks how your understanding of impacts on people with protected characteristics has influenced your proposal, and how the findings of your Equality Impact Assessment can be measured going forward.

4.1 How has the equality impact assessment informed or changed the proposal?

This assessment ensured that the community and key equalities groups were consulted and their feedback captured.

4.2 What actions have been identified going forward?

1. Feasibility work looking into infrastructure options, including the viability of designated areas for pedestrian and cyclist, instead of shared spaces, on the new access routes leading to the arena.
2. A cultural partnership will be established between the operator and the Council, including Safer Bristol, to review city wide initiatives, including safety measures, which could be implemented in the arena.
3. Job fairs will be organised in conjunction with BCC, the LEP, the Building contractor and the operator to inform the local community about arena jobs opportunities.

4.3 How will the impact of your proposal and actions be measured moving forward?

In reference to the actions on section 4.2:

1. Suitable infrastructure work is a planning application condition.
2. The Council will be part of the cultural partnership and will coordinate regular meetings.
3. The Council and its partners will develop an employment and training strategy which will set out the number and frequency of job fairs. The number of jobs created will be monitored during construction (by the project team, as part of the building contract) and when the arena is open (by the operator).

It is proposed to undertake a redesign of the present arena proposals to achieve cost reductions required to take the project forward. It is intended to maintain the key measures outlined in this EqIA. The equalities impact of changes will be reviewed against this EqIA and updated if required.

Once the arena is operating the operator will monitor the take up of disabled spaces and if the supply is not sufficient, the Council and the operator will seek to find a management solution to meet demand

Service Director Sign-Off:



Colin Molton

Date: 29/03/2018

Equalities Officer Sign Off:



Duncan Fleming

Date:16/03/2018

Appendix E1 – EqIA for an Alternative Scheme

What is the proposal?

Name of proposal	Alternative Scheme on Temple Island (The former Diesel Depot site adjacent to Temple Meads).
Please outline the proposal.	<p>The project is at a very early stage but it is proposed to deliver a mixed use scheme including:</p> <ul style="list-style-type: none"> • Commercial; • Retail to support the on-site uses; • Housing, including a policy compliant level of affordable housing; • Conference centre and linked 4 or 5* hotel. <p>This Relevance Check is to accompany the September 2018 Cabinet Paper</p>
What will this proposal achieve?	<p>Given the location and prominence of the site, the alternative vision for the Temple Island site would focus on delivery of ‘Temple Yard’ as a vibrant and dynamic mixed use development at the heart of Temple Quarter. The alternative scheme could incorporate a wide range of uses – as listed above – and work alongside the University of Bristol’s existing proposals for student residential development on the northern portion of the site.</p>
Name of Lead Officer	The Senior Responsible Owner is Colin Molton

**Could your proposal impact citizens with protected characteristics?
(This includes service users and the wider community)**

Please outline where there may be significant opportunities or positive impacts, and for whom:

The alternative scheme will provide a number of opportunities for the citizens of Bristol and the West of England. There will be opportunities for all citizens to live in the housing units, work in the offices and access the hotel and the public realm. There will also be a considerable amount of economic benefits including construction jobs, and a number of direct and indirect jobs created when the offices and conference centre and hotel venues are open. There will be also be opportunities for apprenticeships and local employment, through the construction and employment stages.

The building will be constructed to the latest accessibility standards ensuring access for all, including Part M Building Regulations.

The Council has yet to agree and negotiate the sale and development agreement. This could be with a private sector partner and the conditions will need to be signed-off by the Council.

Please outline where there may be significant negative impacts, and for whom:

Due to the stage of project this is not known and the Council will try to ensure that there are no negative impacts.

**Could your proposal impact staff with protected characteristics?
(i.e. reduction in posts, changes to working hours or locations, changes in pay)**

Please outline where there may be significant opportunities or positive impacts, and for whom.

The final procurement option for this scheme is not yet agreed, but it will be a building project with properties sold on completion and companies operating the Hotel and conference facility.

Please outline where there may be negative impacts, and for whom.

There are no direct impacts on BCC staff.

Is a full Equality Impact Assessment required?

Does the proposal have the potential to impact on people with protected characteristics in the following ways:

- access to or participation in a service,
- levels of representation in our workforce, or
- reducing quality of life (i.e. health, education, standard of living)?

Please indicate yes or no. If the answer is yes then a full impact assessment must be carried out. If the answer is no, please provide a justification.

- **Due to the nature of the project a full EqIA will be completed during the next stage in the development of the proposal.**

Recommendation

This EqIA Relevance Check has been signed off at this point in preparation for Cabinet; however it will need to be revisited with reference to the following bullet points. It is also important to realise that this may not be an exhaustive list and so other factors may need to be considered as the project moves forward.

- **Once the design is agreed**
- **Once the procurement route is agreed**
- **If there any changes during the development of the project**
- **Once the design / accessibility for the Conference Centre and Hotel has been agreed**

This EqIA has been signed off on the basis of the above recommendations.

Eco Impact Checklist

Title of report: Bristol Arena Project				
Report author: Hannah Bush / Oliver Roberts				
Anticipated date of key decision: 4 th September 2018				
<p>Summary of proposals: To consider the overall position of the Bristol Arena project and decide whether to proceed and enter into the building contract with Buckingham Group Contracting Limited (BGCL); To receive the Value for Money (VfM) Study produced by KPMG.</p> <p>This assessment considers the impacts associated with the Arena proposal at Temple Meads. Proposals for the alternative proposal are considered in a separate assessment.</p>				
Will the proposal impact on...	Yes/No	+ve or -ve	If Yes...	
			Briefly describe impact	Briefly describe Mitigation measures
Emission of Climate Changing Gases?	Yes	-ve	<p>During construction there will be direct emissions from construction vehicles and indirect emissions through energy consumption and staff travel.</p> <p>During operation: indirect emissions from energy consumption and staff travel, visitor travel, generation of waste to landfill.</p>	<p>The project is committed to delivering a 20% reduction in carbon emissions through the use of on-site renewables, including a large photovoltaic array on the building roof. These measures have been designed to meet BCS 14 planning policy objectives.</p> <p>A Construction Environment Management Plan (CEMP) has been developed for the project, which takes account of all mitigation measures identified within the Environmental Impact Assessment submitted alongside the Arena planning submission. The CEMP will be submitted for approval against condition 9 of planning permission (PP) 15/06069/F.</p> <p>The building contractor has set out commitments to local employment within a Skills and Employment Plan, which will be incorporated into the construction contract. The Arena Operator has similarly produced a Local Impact Programme, which</p>

			<p>includes measures for local employment. Both documents will be submitted for approval against condition 16 of PP 15/06069/F.</p> <p>The Arena will achieve a minimum of BREEAM 'Very Good', which will place the building at an equal or higher standing as the most sustainable arenas constructed in the UK to date. The assessment includes consideration of construction materials used and the energy efficiency of the building.</p> <p>The site is well connected to the existing public transport network, located next to Temple Meads train station and on multiple bus routes.</p> <p>A Public Transport Strategy will be produced to encourage and maximise use of public transport for staff and visitors to the Arena. This will include a Full Travel Plan and Event Management Plan, which will be led by a steering group involving stakeholders including transport providers, such as Network Rail and a Park and Ride Strategy, which will detail arrangements for increased bus provision for Arena events.</p> <p>The site is to be connected to Bristol heat network, it is expected the site will be supplied by an energy centre within the University of Bristol's proposed zero carbon campus.</p> <p>A Waste Management Scheme will be submitted in accordance with condition 23 of PP 15/06069/F.</p>
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				Landscaping measures, including tree and low ground level planting may have some positive benefit for air quality.
Bristol's resilience to the effects of climate change?	Y	+ve & -ve	<p>The site's main access route is within flood zone 3.</p> <p>The proposal may increase the risk of flooding through increased impermeable surfaces.</p> <p>The proposal will increase mains water and energy consumption.</p> <p>The Arena could provide shelter in an emergency situation, therefore a positive factor for community resilience.</p>	<p>A full flood risk assessment was undertaken for the project. Improvements are proposed to the A4 slip road to create an emergency vehicular access; in addition a new southern access (alternative pedestrian access) will be developed. These access points are located to the south of the site outside of the flood zone.</p> <p>Engagement has taken place with BCC Flood Risk Officers and the Environment Agency to agree drainage discharge strategy that minimises any impact of the development.</p> <p>The site is located in the city centre, within cycling and walking distance of many residential areas of Bristol. The site is well connected to the existing public transport network, located next to Temple Meads train station and on multiple bus routes.</p> <p>The site is to be connected to the Bristol heat network.</p> <p>The Arena design has been developed to maximise water efficiency and minimise energy and resource consumption, this is reflected in the in the project's BREEAM assessment.</p> <p>With its city centre location, the Arena is included in BCC's civil contingency plans and could</p>

				therefore be used in a severe public crisis situation.
Consumption of non-renewable resources?	Y	-ve	<p>In the short-term, there is potential for the consumption of fossil fuels and other non-renewable materials arising through the use of energy and materials during the construction works.</p> <p>In the long-term, there will be consumption of fossil fuels for heating and power, and also for travel to and from the site.</p>	<p>Sustainability of building materials has been considered in the design and reflected in the BREEAM assessment.</p> <p>A Public Transport Strategy, Park and Ride Strategy and Full Travel Plan are being developed for the project and will be submitted against conditions 24, 25 and 27 of PP 15/06069/F.</p> <p>The site is to be connected to the Bristol heat network.</p> <p>Reduction in consumption of non-renewable resources through on-site renewable energy generation.</p>
Production, recycling or disposal of waste	Y	-ve	<p>Waste will arise from construction works.</p> <p>Waste will arise from the normal operation of the site.</p>	<p>A Site Waste Management Plan will be prepared by BGCL to minimise the level of waste produced and maximise the amount of waste that is recycled and diverted from landfill. The plan will be submitted alongside the CEMP under condition 9 of PP 15/06069/F.</p> <p>A Waste Management Scheme will be submitted against condition 23 of PP 15/06069/F.</p>
The appearance of the city?	Y	+ve	The site is currently derelict / vacant and inaccessible to the public. The proposal will alter the appearance of the city, creating a new destination and public realm on a prominent gateway site in the city.	A full assessment of the landscape and visual impact of the project was undertaken as part of the Environmental Impact Assessment submitted alongside the planning application 15/06069/F.

<p>Pollution to land, water, or air?</p>	<p>Y</p>	<p>+ve</p> <p>-ve</p>	<p>The development is located on a brownfield site, previously occupied by a diesel depot. The proposals will help treat residual contamination.</p> <p>Activities such as pilling have the potential to disturb and create new pathways for the movement of residual contamination.</p> <p>There is a risk of hazardous materials (e.g. fuels or paints) being accidentally released during construction works.</p> <p>Construction works may generate mud, dust and noise.</p> <p>The site is adjacent to a watercourse.</p> <p>Once operational, the site will be connected to the sewage network.</p> <p>An increase in traffic will potentially impact on air quality within the city.</p>	<p>A thorough Remediation Strategy has been prepared in accordance with condition 12 of PP 15/06069/F. The Pollution Control team have input into this strategy and construction will not start until the strategy has been formally approved by this team and the Environment Agency.</p> <p>A CEMP will be produced and submitted in accordance with condition 9 of PP 15/06069/F. The CEMP includes detailed controls and measures for the Control Of Substances Hazardous to Health (COSHH); and for minimising and mitigating the resulting effects of construction activity, such as the generation of mud, dust and noise.</p> <p>During the construction phase the site(s) will be registered to the Considerate Constructors Scheme. Measures for engagement with local community and stakeholders will ensure that any arising issues are quickly identified and dealt with.</p> <p>A third party consents matrix has been prepared identifying all permits/consents, including consent from the Environment Agency for discharge of surface water drainage into the River Avon and from Wessex Water for connection to the sewer network.</p> <p>The site is well connected to the existing public transport network, located next to Temple Meads train station and on multiple bus routes. A Public Transport Strategy, Park and Ride Strategy</p>
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				(and Full Travel Plan will be developed to maximise use of these forms of travel over car use.
Wildlife and habitats?	Y	-ve & +ve	<p>The site is derelict and sparsely vegetated. The on-site vegetation will be cleared prior to construction and replaced with new planting, selected to complement and enhance the existing riverside habitat.</p> <p>Potential for disturbance of protected species: wild birds' nests within and on the site boundaries. No bats were recorded as roosting during the last ecological survey, however there is evidence of foraging activity, which could be impacted by the development.</p>	<p>An ecological survey has been completed. Retention of habitats and clearance of vegetation will be controlled through conditions 11, 14 and 15 of PP 15/06069/F.</p> <p>Landscape design has been developed to enhance and preserve existing habitats in accordance with BCAP 22. Scrub corridors along the riverbanks will be retained.</p> <p>Works to structures or vegetation which birds use to nest on or in, will be scheduled from September to March, outside of the bird nesting season. Bird and bat boxes will be installed as part of ecological enhancement works on the site.</p> <p>External lighting design retains dark corridors for bats around river edge perimeter through minimising lux levels, placement and direction of lights.</p> <p>Engagement has taken place with the BCC Planning Nature Conservation Officer on ecological enhancement and mitigation measures in the design.</p>
Consulted with: Giles Liddell - Environmental Project Manager and Nicola Hares - Environmental Project Manager.				
Summary of impacts and Mitigation - <u>to go into the main Cabinet/ Council Report</u>				
This proposal will create short term negative impacts from construction, and long term negative impacts from travel to and use of the arena. A range of effective mitigation measures is proposed to address construction, energy and travel, and positive impacts will arise from bringing a currently derelict area into the public realm.				

The significant impacts of this proposal are:

Short-term increase in environmental impacts through the consumption of fossil fuels and raw materials in constructing the Arena and pollution from potential release of residual contamination into the adjacent watercourse. Longer term, there will be on-going consumption of energy for heat and power, generation of waste and travel to the site. An increase in traffic may reduce air quality within the city.

Significant potential exists for mitigating the negative impacts of this proposal, and also for positive effects.

The proposals will also have positive impacts. The currently inaccessible and derelict site will be opened up and a new destination and public realm created on a prominent gateway site into the city. The building will also provide an addition to BCC's civil contingency plans and will provide considerable direct local employment opportunities. Landscape design will preserve and enhance existing habitats and tailored remediation work will reduce contamination and improve the site.

The proposals also include opportunities for low carbon energy generation via connection to the Bristol heat network and installation of solar PV on the building roof.

The proposals include the following measures to mitigate the impacts:

Mitigation measures have been considered throughout the design and planning process, which included a full Environmental Impact Assessment. The proposals were granted planning permission in April 2016 and substantial work has since been completed to discharge the planning conditions (for full details of the planning conditions and the deliverables required, please refer to Decision Notice 15/06069/F – included as **Appendix F1**). The planning process has involved thorough consultation with internal BCC teams including transport, planning, contamination, flood risk, economic development and ecology as well as external organisations such as the Environment Agency. This consultation and engagement has been fundamental in shaping the mitigation proposed.

The site is located adjacent to Temple Meads train station and is served by multiple bus routes that link both the north and south of the city. This provides for significantly reduced travel impacts, maximising sustainable travel options and reducing reliance on private car use. To further mitigate air pollution and traffic congestion impacts from staff and visitor travel, a Public Transport Strategy, Park and Ride strategy and Full Travel Plan will be operational once the facility opens.

The site is located within walking and cycling distance from numerous residential areas of the city, improving its resilience, making it less vulnerable to disruption from bad weather and accessible via sustainable means of transport from the central, south and northern areas of the city. Staff travel to the site during construction and operation will be minimised by focusing on local employment.

To mitigate the potential pollution impacts from residual diesel depot contamination on the site

from entering the adjacent watercourse, a comprehensive remediation strategy has been prepared and will be implemented at the appropriate time during construction. During the construction phase the site will be registered to the Considerate Constructors Scheme and a Construction Environment Management Plan (CEMP) produced to control other potential pollution sources such as noise and dust. A site drainage plan has been produced to ensure any releases can be controlled and contained.

Waste generation will be managed and minimised during construction via the CEMP and during operation by a Waste Management Scheme.

To help mitigate impacts from consumption of non-renewable resources, the proposal will be connected to the Bristol heat network, providing resilience to any future resource scarcity and supporting local energy centres, thus contributing towards Bristol's target to become carbon neutral by 2050. On site renewables, such as solar PV, will reduce carbon emissions from the building's energy demand by 20%.

The project is targeting BREEAM 'Very Good' as a minimum for the Arena building to improve energy efficiency and reduce consumption of resources. This will place the building at an equal or higher standing as the most sustainable arenas constructed in the UK to date.

To mitigate the impact that any site clearance of vegetation may have, the landscape design has been developed to enhance and preserve existing habitats and dark corridors retained for bats along the river edge perimeter by designing external lighting schemes accordingly.

A Planning Supporting Statement was submitted and approved as part of the planning application, this details the policies from the Bristol Core Strategy, Bristol Central Area Plan and National Planning Policy Framework that the project is compliant with.

The net effects of the proposals are: Positive as negative impacts can be mitigated and the proposals provide multiple opportunities for positive impacts.

Checklist completed by:

Name:	Hannah Bush & Oliver Roberts
Dept.:	Growth and Regeneration
Extension:	74179
Date:	10 th April 2018
Verified by Environmental Performance Team	22 nd June 2018



NOTICE OF DECISION

**Town and Country Planning Act 1990 (as amended)
Town and Country Planning (Development Management Procedure) (England)
Order 2015**

Decision :	GRANTED subject to condition(s)
Application no:	15/06069/F
Type of application:	Full Planning
Site address:	Bristol Arena, Former Diesel Depot, Bath Road, Brislington Bristol BS4 3DT.
Description of development:	Construction of 12 000 capacity indoor arena (Use Class D2) on the south part of the site, creation of public plaza in front of arena and landscaping of the site; Permanent disabled parking (45 spaces) and cycle parking facilities, temporary surface level parking for operational staff and VIP's (200 spaces) for a period of 5 years; Pedestrian and vehicular access via bridge from Cattle Market Road (under construction) and provision of new pedestrian access and steps from Bath Road. Existing vehicular access from Bath Road to be retained as a restricted access - Major application/Environmental Statement
Applicant:	Bristol City Council
Agent:	CSJ Planning Consultants Ltd
Committee/delegation date:	06.04.16
Date of Notice:	11.04.16

Important: Compliance with conditions

- Please read the conditions and understand their requirements and restrictions
- Some conditions may relate to a specific element of work, and require details to be submitted and approved before any work on that element commences.
- Some conditions will require action before you start the development and it is imperative that you seek to have these discharged before any work commences.
- If you fail to comply with the conditions this may result in a breach of planning control and this may lead to enforcement action.
- Failure to comply with conditions may also result in the development not being lawful.
- The council monitors compliance with planning conditions.

**Development Management
Brunel House, St George's Road, Bristol BS1 5UY**

DECISION: GRANTED subject to condition(s)

Condition(s)

Time limit for commencement of development

1. Full Planning Permission

The development hereby permitted shall begin before the expiration of three years from the date of this permission.

Reason: As required by Section 91 of the Town and Country Planning Act 1990, as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

Pre commencement condition(s)

2. Notwithstanding the submitted documents, detailed drawings at the scale of 1:5 and 1:20 scale and sample panels (where appropriate) of the following shall be submitted to and be approved in writing by the Local Planning Authority before the relevant part of work is begun. The detail thereby approved shall be carried out in accordance with that approval.

1) Drum - design of the external cladding(at suitable scale) incorporating the lead artist commission as identified in the draft Arena public art strategy including details of;

- 1a. facing materials, panelling, any manifestations/perforations;
- 1b. general arrangement of the external cladding with the gangways and lighting box;
- 1c. details of gangways, light box and fixings;
- 1d. junctions between panels of the finishing panels;
- 1e. details of coping and soffit.

2) Glass middle layer - Details of

- 2a. panel arrangement;
- 2b. interface at the top (with drum) and bottom (with plinth);
- 2c. doors including the jambs lintels and thresholds.

3) Plinth - Details of

- 3a. panel arrangement;
- 3b. interface with ground;
- 3c. coping;
- 4d. lintels/soffits, reveals/jamb and thresholds

4) Wall facing the railway line - Provide design and details for

- 4a. the fencing along the railway line;
- 4b. interface with ground;
- 4c. coping;
- 4d. lintels/soffits, reveals/jamb and thresholds

5) Roof

- 5a. any fall protection measures

- 5b. any bird control measured
- 5c. surface finish
- 5d. proposed mounting arrangement of any solar PV panels

Reason: In the interests of visual amenity and the character of the area.

3. Prior to commencement of the development (excluding groundworks), detailed design of the following elements shall be submitted to and approved in writing by the Local Planning Authority before the relevant parts of the work are commenced. The development shall be completed in accordance with the approved details:

- 1) Detailed design of:
 - 1a. steps leading to podium level
 - 1b. bike stores (providing 400 secure covered spaces for visitors and 40 secure covered spaces for staff)
 - 1c. stepped seating
 - 1d. retaining walls
 - 1e. the fencing along the railway line;
 - 1f. planters
- 2) Hard and soft landscaping plan confirming
 - 2a. surface finishes,
 - 2b. tree planting including tree pits
 - 2c. interface of the paving with buildings, threshold etc.

Reason: To ensure that the design and appearance of the development is satisfactory.

4. Prior to commencement of development (excluding groundworks), samples of the materials to be used within the landscape areas shall be provided and approved by the Local Planning Authority before the relevant parts of the work are commenced. The development shall be completed in accordance with the approved details before the building is occupied.

- a) Samples of (i) hard surface finishes and (ii) any build up elements such as boundary walls.
- b) Manufacturer specification for any street furniture, tree protection, lighting fixtures, fencing etc. including samples of the proposed finishes.

Reason: To ensure that the design and appearance of the development is satisfactory.

5. No structural construction work in the area adjacent to the retained stone arches along the riverbank shall take place until a detailed design for the any remediation/ stabilisation work needed together with a method statement for their construction has been submitted to and approved in writing by the Local Planning Authority. The development hereby approved shall only take place in accordance with the approved detailed scheme.

Reason: To ensure the preservation in situ of archaeological features of identified importance.

6. Prior to commencement (excluding groundworks), a Public Art Strategy shall be submitted to and approved in writing by the Local Planning Authority. The Public Art Strategy shall set out the process to be used to commission and integrate public art within the Arena building and across the wider Arena Island site. The Public Art Strategy shall also contain budget allocations, artist procurement process, a timetable for delivery of the various commissions, and details of the future maintenance responsibilities and requirements. The delivery of public art shall then be carried out in full accordance with the agreed Public Art Strategy unless otherwise agreed in writing by the Local Planning Authority.

Reason: to ensure the provision of public art in the landscape design and buildings and in pursuance of Bristol City Council's public art policy.

7. Following the approval of the Public Art Strategy and prior to the commencement of each public art commission, or the design for the area where any public art is to be integrated (unless otherwise agreed in writing by the Local Planning Authority), details of the individual artwork commission(s) shall be submitted to and approved in writing by the Local Planning Authority. The public art works shall be implemented and completed in accordance with the approved details in accordance with the agreed timetable for delivery, unless otherwise agreed in writing by the Local Planning Authority.

Reason: to ensure the provision of public art in the landscape design and buildings and in pursuance of Bristol City Council's public art policy.

8. Detailed drawings of the following items shall be submitted to and approved in writing by the Local Planning Authority before the relevant parts of work are begun. The details thereby approved shall be carried out in accordance with that approval:

- a) Commissioned Artwork for Arena Building (integrated)

The detailed drawings submitted shall be accompanied by:

- i) A text outlining the commission proposed, the concept, and rationale.
ii) The artists' CV and full list of gallery / museum exhibitions and past public realm commissions developed to date.

Reason: to ensure the provision of public art in the landscape design and buildings and in pursuance of Bristol City Council's public art policy.

9. No development shall take place until a site specific Construction Environmental Management Plan has been submitted to and been approved in writing by the Council. The plan must demonstrate the adoption and use of the best practicable means to reduce the effects of noise, vibration, dust and site lighting. The plan should include, but not be limited to:

- a) Procedures for maintaining good public relations including complaint management, public consultation and liaison
b) Arrangements for liaison with the Council's Pollution Control Team
c) All works and ancillary operations which are audible at the site boundary, or at such other place as may be agreed with the Local Planning Authority, shall be carried out only between the following hours:
d) Construction delivery hours (0800-1700 Monday to Saturday and 0800-1300 Sunday and Bank Holiday)
e) Deliveries to and removal of plant, equipment, machinery and waste from the site must only take place within the agreed permitted hours.

- f) Mitigation measures as defined in BS 5528: Parts 1 and 2: 2009 Noise and Vibration Control on Construction and Open Sites shall be used to minimise noise disturbance from construction works.
- g) Procedures for emergency deviation of the agreed working hours.
- h) Control measures for dust and other air-borne pollutants. This must also take into account the need to protect any local resident who may have a particular susceptibility to air-borne pollutants.
- i) Measures for controlling the use of site lighting whether required for safe working or for security purposes.
- j) Construction vehicular routes to and from site;
- k) Expected number of construction vehicles per day;
- l) Car parking for contractors;
- m) Specific measures to be adopted to mitigate construction impacts in pursuance of the Environmental Code of Construction Practice;
- n) A scheme to encourage the use of Public Transport amongst contractors;

Reason: In the interests of the amenities of surrounding occupiers.

10. Prior to commencement of development (excluding groundworks), a strategy for the investigation, consultation and implementation of a series of parking controls shall be submitted and agreed in writing. The development shall be operated in accordance with the approved strategy. The strategy should include but not be limited to:

Redcliffe, Bedminster East, Windmill Hill, Totterdown, Knowle, Arno's Vale, St Philip's Marsh, The Dings and Barton Hill with consideration of the following potential changes:

- a) The extension of time periods for existing parking orders
- b) The creation of new orders prohibiting parking in certain locations
- c) Proposals for event-related Residents' Only orders
- d) Proposals for loading bans, coach / taxi facilities and the prohibition of short-stay pick-up / drop-off traffic.

Reason: In the interests of the proper transport planning of the site.

11. Prior to commencement of development (excluding groundworks), details of a scheme for the retention of the bats' roost and the retention of the bats' existing accesses or the provision of alternative new roosts or accesses, has been submitted to and approved in writing by the Local Planning Authority.

The scheme shall include a programme for the implementation of the development which minimises any impacts on bats including the provision of suitable voids or crevices for bats, bat boxes, bricks or similar, 'soft strip' demolition methods and measures to minimise light pollution. The development shall be carried out in accordance with the approved scheme or any amendment to the scheme as approved in writing by the Local Planning Authority.

Reason: to enable the Local Planning Authority to retain control over development in order to safeguard bats and their roosts which are specially protected by law.

12. Prior to the commencement of development approved by this planning permission (or such other date or stage in development as may be agreed in writing with the Local Planning Authority), the following components of a scheme to deal with the risks associated with contamination of the site shall each be submitted to and approved, in writing, by the Local Planning Authority:

- 1) A preliminary risk assessment which has identified:
 - 1a) all previous uses
 - 1b) potential contaminants associated with those uses
 - 1c) a conceptual model of the site indicating sources, pathways and receptors
 - 1d) details of previous remediation works which have occurred at this site
 - 1e) potentially unacceptable risks arising from contamination at the site.
- 2) A site investigation scheme, based on (1) to provide information for a detailed assessment of the risk to all receptors that may be affected, including those off site.
- 3) The site investigation results and the detailed risk assessment (2) and, based on these, an options appraisal and remediation strategy giving full details of the remediation measures required and how they are to be undertaken.
- 4) A verification plan providing details of the data that will be collected in order to demonstrate that the works set out in (3) are complete and identifying any requirements for longer-term monitoring of pollutant linkages, maintenance and arrangements for contingency action. Any changes to these components require the express consent of the Local Planning Authority. The scheme shall be implemented as approved.

Reason: To ensure that risks from land contamination to the future users of the land and neighbouring land are minimised, together with those to controlled waters, property and ecological systems, and to ensure that the development can be carried out safely without unacceptable risks to workers, neighbours and other offsite receptors.

13. Prior to the commencement of development the requirements for the importation of and/or reuse of fills, soils and other ground materials on site shall be submitted to and agreed in writing with and thereafter carried out to the satisfaction of the Local Planning Authority.

Reason: To ensure that risks from imported materials to the future users of the land and neighbouring land are minimised, together with those to controlled waters, property and ecological systems, and to ensure that the development can be carried out safely without unacceptable risks to workers, neighbours and other offsite receptors

14. No clearance of vegetation or structures suitable for nesting birds including ledges on, crevices in and voids within the walls on the A4 embankment and crevices in walls alongside the River Avon, shall take place between 1st March and 30th September inclusive in any year without the prior written approval of the Local Planning Authority. The authority will require evidence provided by a suitably qualified ecologist that no breeding birds would be adversely affected before giving any approval under this condition.

Reason: To ensure that wild birds, building or using their nests are protected.

15. Prior to commencement of development (excluding groundworks), details shall be submitted providing the specification, orientation, height and location for built-in bird nesting and bat roosting opportunities integrated within new buildings or structures. This shall include twelve built-in bird and ten built-in bat boxes or bat tubes to include at least eight swift bricks. Half of the features should be suitable for summer roosting by bats and half of the features for hibernating bats. The recommendation on page 8 in the Addendum to Ecological Survey report dated August 2015 that built-in bat

boxes, bricks or tubes which are integrated within new buildings or structures are used and that: "Externally attached boxes for trees or structures are not advised for this site, due to likelihood of removal or vandalism" shall be adhered to unless otherwise agreed in writing.

Bird boxes should be installed to face between north and east to avoid direct sunlight and heavy rain. Bat boxes should face south, between south-east and south-west. Bird boxes should be erected out of the reach of predators. For small hole-nesting species bird boxes should be erected between two and four metres high. Bat boxes should be erected at a height of at least four metres, close to hedges, shrubs or tree-lines and avoid well lit locations.

Reason: To ensure that wild birds, building or using their nests are protected.

16. Prior to commencement of development a scheme for an employment and skills programme shall be submitted to and approved by the Local Planning Authority. The aim of the scheme is to increase the availability of work placements, apprenticeships and training within the construction and operation phases of the development hereby approved and thereby enhances opportunities for local people to access employment and skills training as a direct result of the development. The approved scheme should thereafter be implemented.

Reason: To increase availability of work placements, apprenticeships and training within the construction phase of development hereby approved and thereby enhance opportunities for local people to access employment and skills training as a direct result of the development.

17. Prior to foundation works commencing a Foundation Works Risk Assessment must be submitted to and approved in writing by the Local Planning Authority. Works shall then be undertaken as agreed. The Risk Assessment will be expected to summarise details of:

- a) The process of the assessment, including the pollution scenarios that may occur using these techniques;
- b) The potential mitigation measures that may be appropriate;
- c) Proposals for any monitoring;
- d) Particular issues and uncertainties associated with the methods chosen.

Reason: To ensure the proposed development will not cause pollution of Controlled Waters.

18. No development shall take place until evidence that the development is registered with a BREEAM certification body (or design stage certificate with interim rating if available) has been submitted indicating that the development can achieve the stipulated final BREEAM level. No building shall be occupied until a final Certificate has been issued certifying that BREEAM (or any such equivalent national measure of sustainable building which replaces that scheme) rating (Excellent) has been achieved for this development unless otherwise agreed in writing by the Local Planning Authority. This Certificate shall be provided within the first six months following the first concert at the venue.

Reason: To ensure that the development achieves BREEAM rating level (Excellent) (or any such equivalent national measure of sustainability for building design which replaces that scheme) and assessment and certification shall be carried out by a licensed BREEAM assessor and to ensure that the development contributes to

mitigating and adapting to climate change and to meeting targets to reduce carbon dioxide emissions.

19. Prior to commencement of development (excluding groundworks), a general arrangement plan showing the following works shall be submitted to and approved in writing by the Local Planning Authority:

The delivery of a minimum of 5m width pedestrian / cycle access between Three Lamps junction and the site. This can only be constructed following a formal Structural Agreement in Principle (AIP).

The above works shall be subject to the formal Structural Agreement in Principle (AIP) process and be completed strictly in accordance with the approved details and be completed prior to the first event at the development accompanied by all relevant legal agreements with the Highway Authority.

Reason: To ensure that all road works associated with the proposed development are planned and approved in good time to include any statutory processes, are undertaken to a standard approved by the Local Planning Authority and are completed before occupation.

20. Prior to commencement of development (excluding groundworks), a general arrangement plan showing the following works to the highway shall have been submitted to and been approved in writing by the Local Planning Authority:

a) The upgrading, widening and reconstruction (where necessary) of current footway /carriageway along Albert Road, Victor Street, Victoria Road, Chapel Street, Stanhope Street and Feeder Road where appropriate to incorporate the provision of crossing facilities and carriageway and drop-off / pick-up facilities for coaches and taxis.

b) The implementation of improved / upgraded lighting in the above area where necessary.

c) A scheme for the appropriate management of traffic in the above area through the provision of access and waiting restrictions to be secured as part of the TRO process.

The building hereby permitted shall not be occupied until the highway works have been completed in accordance with technically agreed engineering details and be accompanied by all relevant legal agreements with the Highway Authority.

Reason: To ensure that all road works associated with the proposed development are planned and approved in good time to include any statutory processes, are undertaken to a standard approved by the Local Planning Authority and are completed before occupation.

Pre occupation condition(s)

21. Prior to the first concert at the venue, full details of a proposed package of renewable energy (including solar Photo Voltaic panels) designed to reduce the development's carbon dioxide emissions from (regulated) residual energy use by no less than 20%, shall be submitted to and approved in writing by the Local Planning Authority. The scheme shall be completed strictly in accordance with the approved details.

Reason: - To secure sufficient renewable energy generation to satisfy Core Strategy Policy BCS14.

22. Prior to the first concert at the venue, the Security and Counter Terrorism Strategy included in the Design and Access Statement, shall be submitted to and approved in writing by the Local Planning Authority. The approved details shall be completed prior to the first concert at the venue.

Reason: In the interests of the security of the venue.

23. Prior to the first concert at the venue, a scheme detailing the method of storage and disposal of litter and waste materials (including recycling facilities) shall be submitted to and approved in writing by the Local Planning Authority.

Reason: In the interests of the amenity of the site and to promote recycling.

24. Within 6 months of commencement, a programme for the submission and approval of a Public Transport Strategy shall be submitted to and agreed in writing by the Local Planning Authority. This strategy shall be finalised before the first concert at the arena and shall include a programme for on-going review. The development shall be operated in accordance with the approved strategy. It shall include the following details:

a) Confirmation of likely additional demand for regular bus services serving Temple Gate and Old Market;

b) Enhancements to frequency and capacity of services to coincide with arena events and associated thresholds to be confirmed.

c) Further detail on the capacity of existing infrastructure (i.e. stops) to accommodate additional services during peak periods of demand.

d) The installation of Real Time Passenger Information (RTPI) displays within the Arena Island site in a prominent location.

Reason: In the interests of the proper transport planning of the site.

25. Within 6 months of commencement, a programme for the submission and approval of a Park and Ride Strategy shall be submitted to and agreed in writing by the Local Planning Authority. This strategy shall be finalised before the first concert at the arena and shall include a programme for on-going review.

The provisions of the approved Park and Ride Strategy shall be implemented upon the first major event at the arena and maintained thereafter, as defined by the following requirements to the satisfaction of the Council:

a) The proposed thresholds for the operation of each of the Park and Ride services at Brislington, Portway and Ashton Vale;

b) The location, frequency, timings and capacity of each Park and Ride service and the size/type of events to be served;

c) How the routes will be signed, marketed and Park and Ride usage encouraged through effective fare structures, incentivisation and the delivery of Variable Message Signage (VMS) on strategic approaches to Bristol;

d) Locations for the setting down and picking up of passengers within easy walking distance of the arena site;

Reason: In the interests of the proper transport planning of the site.

26. Within 6 months of commencement, a programme for the submission and approval of an Event Management Strategy shall be submitted to and agreed in writing by the Local Planning Authority. This strategy shall be finalised before the first concert at the arena and shall include a programme for on-going review. The development shall be operated in accordance with the approved strategy. The strategy could include details of the following:

1) The implementation of specific Transport Environmental Management Plans (where appropriate), which take account of the following:

- 1a) The capacity of the event in question
- 1b) The type of audience (for example family shows)
- 1c) The occurrence of another major event at the same time (ie. Football matches, Balloon Fiesta)
- 1d) Unexpected situations occurring as a result of abnormal influences (ie. roadworks, motorway closure and accidents)

2) The formulation of a Travel Management and Stakeholder Group to undertake specific event planning and to include representatives from (but not limited to):

2a) The Arena Operator, BCC Public Transport, Local resident / business groups, Cycling groups, Bus operators, GWR, Network Rail, Highways England, BCC Network Management, South Glos, North Somerset and B&NES councils, the emergency services and the appointed Traffic Management contractor.

3) On-site Event Management to include:

- 3a) Safeguarding access to the arena for event-specific traffic and emergency vehicles
- 3b) Ensuring access for pre-booked disabled parking, pre-booked VIP parking and proposed residential / employment uses
- 3c) Prohibiting rogue / un-booked vehicles attempting to enter the site
- 3d) Emergency procedures for safe evacuation
- 3e) Restricting vehicle movements (other than for emergencies) at times with high crowd numbers
- 3f) Crowd management to ensure the safe and efficient flow of pedestrians out of the venue.

4) Off-site Event Management Measures:

- 4a) Temporary closure to traffic of Cattle Market Road between Temple
- 4b) Gate and the Arena access bridge between 6pm and midnight for large evening events.
- 4c) Temporary closure to traffic of Albert Road between Feeder Road and Stanhope Street between 6pm and midnight for large evening events to allow for safe boarding / alighting of coaches and taxis in dedicated bays.
- 4d) Retention of private access to businesses and residents
- 4e) The protection of large numbers of pedestrians from live traffic (e.g. Bath Road)

- 4f) The management of coach, taxi and general drop-off / pick up movements, particularly along Albert Road, but also elsewhere, as appropriate.
- 4g) Management of pedestrians between the site and Park and Ride boarding locations along Redcliffe Way.
- 4h) Additional management of Park and Ride sites at Portway, Ashton Vale and Brislington, where applicable.
- 4i) Crowd management at Temple Meads station.
- 4j) The effective enforcement of parking restrictions within areas subject to evening / event-day parking controls.
- 4k) Liaison with BCC's traffic control centre to temporarily alter signals to allow emergency / VIP access to and from Bath Road access.
- 4l) The effective use of Variable Message Signage (VMS) in conjunction with BCC's Network Management team.

Reason: In the interests of the proper planning of the site.

27. Within 6 months of commencement, a programme for the submission and approval of a Full Travel Plan shall be submitted to and agreed in writing by the Local Planning Authority. This Plan shall be finalised before the first concert at the arena and shall include a programme for on-going review.

The Travel Plan shall include continuing and long-term measures to promote and encourage alternatives to single-occupancy car use and be prepared, submitted to and approved in writing by the Local Planning Authority. The approved Travel Plan shall then be implemented, maintained, monitored and reviewed in accordance with the agreed Travel Plan targets to the satisfaction of the Council.

The Travel Plan will be required to confirm the following:

- 1) The appointment of and funding of a Travel Plan Coordinator
- 2) A timetable for preparation, implementation, monitoring and review.
- 3) The overall outcomes to be achieved by the Travel Plan; the performance indicators, targets and back-up measures to be applied where the Travel Plan is not meeting its targets
- 4) Confirmation of the measures to be implemented upon occupation to include the following:
 - 4a) Secure cycle parking for visitors and staff
 - 4b) Information strategy - to be distributed to staff from the first occupation
 - 4c) Issuing of cycle equipment and discounts to staff
 - 4d) A strategy for the incentivisation of rail, park and ride and bus use
 - 4e) The installation of a large live real-time public transport information screen within the building and at the public plaza.
- 4f) Annual Arena Travel Surveys over a five-year period

Reason: In order to deliver sustainable transport objectives including a reduction in single occupancy car journeys and the increased use of public transport, walking & cycling.

28. Prior to the first concert at the venue, a detailed scheme of noise insulation measures for the arena has been submitted to and been approved in writing by the Local Planning Authority. The scheme of noise insulation measures shall be prepared by a

suitably qualified consultant/engineer. The approved scheme shall be implemented prior to the commencement of the use and be permanently retained thereafter.

The recommended design standards are as follows:

- a) The Music Noise Level (dB LAeq,T) created by events inside the development and predicted at the façade of any noise sensitive receptor shall not exceed the Background Noise Level (dB LA90,T) pre development minus 10dB, and
- b) Music noise in the 63 and 125Hz (dB Leq,T) octave frequency bands shall not exceed the Background Noise Level dB LA90 in that octave frequency band minus 3dB, and

A noise management plan shall be submitted and approved in writing by the Local Planning Authority Prior to commencement of the use hereby permitted.

Reason: In the interests of the amenities of surrounding occupiers

29. Prior to the first concert at the venue, an assessment to show that the rating level of any plant & equipment, as part of this development, will be at least 5 dB below the background level has been submitted to and approved in writing by the Council. The assessment must be carried out by a suitably qualified acoustic consultant/engineer and be in accordance with BS4142: 2014-"Methods of rating and assessing industrial and commercial sound".

Reason: In the interests of protecting the amenity of neighbouring occupiers.

30. Prior to the first concert at the venue, details of the means of ventilation for the extraction and dispersal of cooking smells/fumes, including details of its method of construction, odour control measures, noise levels, its appearance and finish have been submitted to and been approved in writing by the Local Planning Authority. The approved scheme shall be installed before the use hereby permitted commences and thereafter shall be permanently retained.

Reason: These details need careful consideration and formal approval and to safeguard the amenity of adjoining properties and to protect the general environment.

31. If, during construction, contamination not previously identified is found to be present at the site then no further development (unless otherwise agreed in writing with the Local Planning Authority) shall be carried out until the developer has submitted, an amendment to the remediation strategy detailing how this unsuspected contamination will be dealt with

Reason: To ensure that risks from land contamination to the future users of the land and neighbouring land are minimised, together with those to controlled waters, property and ecological systems, and to ensure that the development can be carried out safely without unacceptable risks to workers, neighbours and other offsite receptors.

32. Within 6 months of commencement, a programme for the submission and approval of a Signage and Wayfinding Strategy shall be submitted to and agreed in writing by the Local Planning Authority. This strategy shall be finalised before the first concert at the arena and shall include a programme for on-going review. The development shall be operated in accordance with the approved strategy.

The Strategy shall be in full compliance with and as part of the Bristol City Council's Legible City Framework including update to the wider mapping and signage infrastructure.

Reason: To ensure the signage and way-finding in in compliance with the city centre signage strategy.

33. Prior to the first concert at the venue or at a stage agreed in writing with the Local Planning Authority, a footbridge linking the application site with the River Avon path leading to Victor Street shall be provided and maintained thereafter.

Reason: In the interests of increasing accessibility to the site.

34. Details of lighting and a lighting assessment shall be submitted to and approved in writing by the Local Planning Authority before the first concert at the venue. This shall include a lux level contour plan, and should seek to ensure no light spill outside of the site boundaries. The lux contour plan should extend outwards to incremental levels of zero lux.

Any lighting created by reason of the development shall be designed so as not to cause interference with the amenity of the nearest residential properties. Artificial lighting to the development must conform to Obtrusive Light Limitations for Exterior Lighting Installations for Environmental Zone - E3 (existing residents) and zone E4 (Phase two residents) contained within Table 2 of the Institute of Light Engineers Guidance Notes for the Reduction of Obtrusive Lighting, GN01, dated 2011.

Reason: In the interests of protecting the amenity of neighbouring occupiers and to conserve legally protected bats and other nocturnal wildlife.

Post occupation management

35. The rating level of any noise generated by plant and equipment as part of the development shall be at least 5dB below the pre-existing background level as determined by BS4142:2014 "Methods of rating and assessing industrial and commercial sound."

Reason: In the interests of protecting the amenity of neighbouring occupiers.

36. The use of the vehicular access on the south western side of Bath Road shall be restricted to use by tour buses and emergency vehicles and only through prior liaison with the BCC Highway Network Manager.

Reason: In the interests of the safe operation of the site.

List of approved plans

37. The development shall conform in all aspects with the plans and details shown in the application as listed below, unless variations are agreed by the Local Planning Authority in order to discharge other conditions attached to this decision.

0700 Site Location Plan
0710 Level 00 Plan
0711 Level 00M Plan
0712 Level 01 Plan (Rev 06)
0713 Level 02 Plan
0714 Level 03 Plan

0715 Level 04 Plan
0716 Roof Plan
0717 Sections (Rev 04)
0718 North and East Elevations (Rev 04)
0719 East and West Elevations (Rev 04)
0720 Landscape Masterplan (Rev 04)
0721 Hard Landscape and Furniture (Rev 06)
0722 Soft Landscape Plan (Rev 06)
0723 Drainage and Grading Plan (Rev 06)
0724 Site Sections
0727 Bike Store
0750 Site Sections South East
0751 Site Sections North West

Reason: For the avoidance of doubt.

Advice(s)

1. In respect of Condition requiring a Construction Management Plan), Bristol City Council encourages all contractors to be 'Considerate Contractors' when working in the city by being aware of the needs of neighbours and the environment.
2. If construction/demolition works of the A4 embankment structure] do not commence until after September 2016, an update survey for bats, including emergence/re-entry surveys and remote monitoring [of the A4 embankment structure], should be completed during spring/summer 2016. The emergence/re-entry surveys should also cover any crevices identified during the March 2015 embankment inspection as being suitable for roosting bats.
3. In respect of all highway conditions, the full cost of the additional restrictions that are directly related to the arena will need to be met by the Arena project. This is likely to include, but no be restricted to, the following costs which otherwise be borne by BCC's Transport division:
 - i) Undertaking surveys
 - ii) Public Consultation
 - iii) Design work
 - iv) Traffic Regulation Orders (TROs)
 - v) Implementation of restrictions including line-painting, signage
 - vi) Lighting and any adjustments to the highway e.g. Kerb adjustments
 - vii) The enforcement of restrictions that are operational during the course of an arena event.
4. In respect of all highway conditions, undertaking works in the highway will require a legal agreement with the Highway Authority and contact should be made with the Local Highway Authority at least 6 months in advance of commencing the works so that an agreement is completed prior to starting any works on the highway.

Article 35 Statement

In dealing with the application we have worked with the applicant in a positive and pro-active manner and have implemented the requirement in the National Planning Policy Framework paragraph 187.

It is important that you read the following “Additional information”

Additional information for application no 15/06069/F

Planning permission – important provisos

1. If planning permission has been granted, please note that your Notice of Decision refers only to consideration of your proposal under the Town and Country Planning Acts. It is not a building regulations approval and does not mean that you can disregard other Acts or Regulations, or avoid any other legal obligations. Some of these obligations, of particular relevance to your proposal are referred to elsewhere in this note.
2. It must be stressed that the information included on this Notice of Decision may not include all your legal obligations, and it does not grant you rights to carry out works on or over land, or to access land that is not within your control or ownership.

Compliance with the approved plans and conditions

3. The development hereby approved must be implemented in accordance with the approved plans and any conditions set out in the Notice. Some of the conditions may specify that works are to be carried out, and/or details submitted and approved before all or a part of the development is started. These will appear in the 'Pre Commencement Conditions' section of the Notice.
4. If work on implementing this permission is started without these requirements being fully met, the development may be unauthorised and the permission invalidated, and could lead to enforcement proceedings or in some cases to prosecution.

Amendments

5. Should alterations or amendments be required to the approved plans, it will be necessary to apply either under Section 96A of the Town and Country Planning Act 1990 for non-material alterations, or under Section 73 of the Act for minor material alterations. An application must be made using the standard application form and you should consult with us, to establish the correct type of application to be made.

Monitoring

6. Bristol City Council actively monitors the implementation of planning permissions. Please be aware that monitoring officers may visit the application site at various stages of the development to ensure compliance with the approved plans and conditions.

Conditions compliance

7. Requests for confirmation of compliance with conditions associated with that permission should be made in writing or by using the application form 'Approval of Details Reserved by Conditions'.
8. A fee is payable for each request. A request may be for confirmation that one or more conditions imposed on the same permission have been complied with. We aim to respond within 8 weeks of receipt of the request.
9. The leaflet "Complying with planning conditions" provides further guidance on this process (see www.bristol.gov.uk/planningdecisions)

DETAILS OF DECISION ON AN APPLICATION (PART 2)

Application No: 15/06069/F

Right of Appeal

10. Applicants have a right of appeal against the requirements of any conditions attached to this approval. Appeals are made to the Planning Inspectorate on a form obtainable from the Planning Inspectorate at Temple Quay House, 2 The Square, Temple Quay, Bristol BS1 6PN. They can be contacted on 0303 444 5000, and further information is on the Planning Inspectorates website www.planningportal.gov.uk/pcs . You are allowed six months from the date of this notice of decision in which to lodge an appeal.

Complaints

11. Only planning matters can be considered at an Appeal. If you think that the Council did not properly consider your application, you can make a comment under the council's "Fair Comment" procedures, details can be found on the councils website www.bristol.gov.uk/faircomment or by calling 0117 9223000.

Eco Impact Checklist

Title of report: Alternative Scheme on Temple Island (The former Diesel Depot site adjacent to Temple Meads)				
Report author: Nigel Greenhalgh				
Anticipated date of key decision: Cabinet Meeting – 4 th September 2018				
Summary of proposals: The project is at a very early stage but it is proposed to deliver a mixed use scheme including: <ul style="list-style-type: none"> • Commercial • Retail to support the on-site uses • Housing, including a policy compliant level of affordable housing • Conference Centre and linked 4* Hotel <p>The scheme has not yet been designed or developed and therefore there is no understanding of the eco impacts that the scheme will have.</p> <p>These impacts will be reviewed during the design and development but it will be the aim of the Council to make the impacts positive, where possible, and reduce any negative impact.</p> <p>It is not possible to fill in the table below.</p>				
Will the proposal impact on...	Yes/ No	+ive or -ive	If Yes...	
			Briefly describe impact	Briefly describe Mitigation measures
Emission of Climate Changing Gases?				
Bristol's resilience to the effects of climate change?				
Consumption of non-renewable resources?				
Production, recycling or disposal of waste				
The appearance of the city?				
Pollution to land, water, or air?				
Wildlife and habitats?				
Consulted with:				
Summary of impacts and Mitigation - <u>to go into the main Cabinet/ Council Report</u>				
The significant impacts of this proposal are unknown at this stage of the scheme development.				
The proposals include the following measures to mitigate the impacts...				
The net effects of the proposals are				

Checklist completed by:	
Name:	Nigel Greenhalgh
Dept.:	Growth and Regeneration
Extension:	
Date:	21 08 2018
Verified by Environmental Performance Team	

Appendix G: Comments of the Chief Financial Officer

1. Context

- 1.1.** The requirement for an Independent Value for Money (VfM) review and Value Engineering exercise for the Arena at Temple Island was agreed by Cabinet in April 2017. Given the emerging costs pressures and other social, economic changes this was intended to establish whether the project could be delivered in an affordable way, achieve an improved public / private sector ratio that is fair and demonstrates VfM to local taxpayers.
- 1.2.** This was an important step for a project that is considered to be of strategic importance to the City. The position has changed over time with new opportunities coming to light and the scope of the VfM review has been expanded to cover further opportunities.
- 1.3.** The two propositions being considered within this report are for the Temple Island site (Arena / Alternative-use). They are diverse in nature and at very different stages of development, making a direct comparison challenging. The assessment therefore is consideration of the best use of resources to deliver the Council's strategic priorities.

2. Assessment Approach

- 2.1.** The first step in the assessment has been to identify a clear rationale for the Council and wider public sector intervention. This can be based on our perceived role in ensuring markets are working effectively in providing goods and / or services required, to meet our core and strategic objectives and that these cannot generally be provided by current market mechanisms. The objectives or outcomes the Council wishes to meet through the intervention needs to be clear, following which the viability of the respective propositions can be measured.
- 2.2.** In this instance the viability has been assessed from the perspectives of:
 - Strategic fit to wider policy objectives
 - Potential VfM
 - Affordability / achievability (in terms of the total cost of both capital and revenue)
 - Dependencies and constraints (e.g. legal frameworks)

3. Public Sector Investment Rationale

- 3.1.** The public sector should ideally only intervene when there is a market failure and when intervention will lead to an improvement or greater efficiency.
- 3.2.** The Temple Island site given its proximity to Temple Meads Station and location within the Bristol Temple Quarter Enterprise Zone (BTQEZ) is intended to be a catalyst to private / public investors as other developments progress. The propositions could contribute to the delivery of the strategic vision of a fair and

inclusive city; whether the Council is engaged as an active participant or enabler to tackle challenges posed by economic and social inequalities, ultimately with less need for intensive council intervention.

3.3. Though not mutually exclusive, the approaches reflect specific market conditions and priorities, with the role of the public sector and need for intervention required for different reasons on both propositions.

3.3.1. Alternative-use - given the challenges and constraints on the site some element of public sector intervention may still be required to develop the site for any other purpose. Assets could be used to underpin regeneration efforts or unlocking difficult sites through more coordinated and strategic citywide approaches. In addition, the alternative use includes the potential for a conference centre and hotel space which has the potential to meet the Council's specific objectives for the Temple Island, and contribute towards the BTQEZ employment targets.

3.3.2. Arena - partners are using public sector assets as a means of guiding and shaping the type of development that takes place, managing and investing in assets in order to contribute towards the wider objectives of the Council, for example economic and social connectivity and employment space that contributes towards the BTQEZ employment targets. Since the approval of the business case, a proposition has been received from the private sector (YTL) to build an Arena at the Filton site in Bristol and whilst this does not remove the need for public sector intervention, it clearly weakens the rationale.

3.4. Where taxpayers' money or assets are involved in delivering the ambition, the Council must also ensure that VfM is secured. There must be a strong clarity of purpose with regards to what the project is intended to achieve. An informed judgement on affordability must be made and the level of risk needs to be openly assessed and acknowledged.

4. Viability

4.1. Strategic Fit

4.1.1. The strategic case is covered in depth in the KPMG VfM reports Appendix I and therefore not repeated here.

4.2. VfM including Social Value.

4.2.1. KPMG was appointed in 2017 to undertake the VFM review on the proposition on behalf of the Council. This has been delivered in line with the commissioned scope and was based on the information available at the time of the review. The economic assessment (proxy for economic returns) is the heart of any viability assessment and for clarity the VfM reports can be viewed as standalone reports for each proposition supported by a summary that compares

the findings and provides an optimum balance between costs, benefits and risks.

4.2.2. The VfM economic assessment has been conducted in accordance with the principles set out in the HM Treasury green book, which contains central government guidance on appraisal and evaluation. This utilises a consistent formulation to calculate the Benefit Cost Ratio (BCR) of all options. BCR is an indicator used in cost-benefit analysis that attempts to summarise the overall VfM of a proposition and reflects the ratio of the benefits of a project relative to its costs. The VfM review has outlined some key challenges in particular the maturity of the propositions and the availability of data. This will improve over time for the alternative use site and as such it should be considered an evolving / iterative model, which will be regularly refreshed in line with the development on any alternative propositions.

4.2.3. The VfM metrics of the alternative developments on Temple Island compared to an arena is outlined in the table below.

	Arena	Alternative Use
Total net GVA (in NPV terms)	£489.1m	£875.3m
Capital costs/ public sector contribution	£172.5	£38.1m
BCR	3.2:1	23.0: 1
NPV	£282.6m	£837.2

Note: public sector contribution includes the assessment of land value.

4.2.4. Based on the scope of quantified economic impacts, it is estimated that the alternative use proposals could deliver a BCR of 23.0:1 and economic NPV of £837.2m, over a 25 year period. This compares to an estimated BCR of 3.2:1 and economic NPV of £282.6m for the Temple over a 25 year period. Generally speaking, the higher the BCR, the better the investment. That for the Arena has been estimated at 3.2:1 which means that at today's prices, for every £1 spent, the estimated financial equivalent benefit is £3.20. Please see Appendix I for the full KPMG VfM reports.

4.3. Social Value

4.3.1. Social Value is understood to be the social benefits a project offers. It is inherently a subjective measure of what is thought to matter the most and to whom. This is never easy to quantify because different organisations, funders, investors and governments all have a different understandings of what is important in creating social change and consequently all value different things.

4.3.2. Measurements need to be ongoing and tailored to the Council to be meaningful, using different measures to effectively capture the changes that occur in projects developed at a local or regional basis.

4.3.3. The tender specification (2015) for the Arena at Temple Island incorporated Social Value criteria, which provided a firm basis upon which plans could be developed and performance measured. Outlined below is the commitment made by BGCL:

No.	BGCL Commitment
1	Minimum of 50% of the labour force from West of England
2	Minimum of 25% of the labour force from Bristol (BS1 to BS16)
3	48 Construction apprenticeships
4	50 work placements
5	10 graduate placements offered for new job starts
6	250 person weeks of construction training
7	3 Engagement events or initiatives per month of construction covering: <ul style="list-style-type: none"> • Pupil interactions with Arena Construction • Job and training opportunities for Care Leavers and young people in care. • Recruitment for the long-term unemployed and young people Not in Education, Employment or Training' (NEET) • Job and training opportunities for Individuals from groups traditionally underrepresented in the construction sector e.g. women, people from BME communities, people with learning difficulties and/or disabilities
8	1 Supply chain training/support initiative per month of construction.

4.3.4. In having a proposition that is more developed, the initial Social Value offer made can be clearly articulated and the potential social value assessment undertaken utilising tools that are now more developed, and becoming more widely used in procurement processes.

4.3.5. The Social Value assessment has been provided by BGCL subsequent to the presentation of the VfM review and has been developed utilising the Social Value Portal. This is based on a National TOMs Framework developed in conjunction with the Social Value Portal. The framework aims to provide a minimum reporting standard for measuring social value, and translates the future benefits of the change over the life of the arrangements into a notional value / currency that we all use.

4.3.6. A number of the measures used in the framework capture national level impacts, for example fiscal savings from the activity being undertaken and is then where practical adapted to capture metrics at a regionalised or local level. The assessment initially indicated that the Social Value aligned to this contract could be in the order of £52m. As an economic assessment is also being undertaken as part of this process, the supply chain impacts (measures NT18 and NT19) are GVA estimates and captured within KPMG's economic analysis,

therefore to avoid double counting this should be reported as a Local Economic Value and is reflected in the paragraph below.

- 4.3.7.** This means that the £52m initial social value offer is then adjusted to a value of £16.3m that can be classified as separately quantifiable social value (the other £35.7m is deemed to be local economic value). It should be noted that this Social Value offer relates to the construction of the arena only and as such are temporary, not long-term impacts. At this stage this notional value has not been formally agreed or contractually binding and a similar assessment has not been put forward by the arena operator.
- 4.3.8.** Whilst we have some concerns regarding the relevance to local priorities of some of the proxy measures, we recognise that the initial offer could be seen as baseline targets for a suite of indicators (e.g. no. hours of volunteering time provided to support local community projects) that can be replicated. We have formulated an illustrative social value estimate for the operation for the arena proposition and construction and operation for the alternative use. This has been based on the National TOMs Framework– toolkit and “calculator” (the same as used by BGCL) and provides some indication of potential social value. As the same approach is used for each proposition this allows for some comparison across them.
- 4.3.9.** Due to the early stage of the plans, the data and information available to us was limited and therefore a high level consistent approach was adopted. The social value associated with the alternative development has been calculated using the estimated supply chain spending and the principles adopted are in line with BGCL assumptions that 25% of those employed are from Bristol BS1 to BS16 postcode.
- 4.3.10.** This indicated a combined Social Value (construction and operation) of £19.2m for Arena Temple Island and £44m for the alternative use. The analysis should be viewed as illustrative only as there has been no ability to undertake due diligence with the parties concerned.
- 4.3.11.** The summary table below captures the results from each, along with some key notes in terms of approach and assumptions. (Appendix I contains the outputs from the “calculator”).

Summary of the social and economic value of each development

	Temple Island Arena			Alternative Use Temple Island		
	Construction (Buckingham estimate)	Operation (annual)	Total	Construction	Operation (annual)	Total
Total value	£52,020,199	£6,854,422	£58,874,621	£31,488,390	£66,228,452	£97,716,842
Social Value	£16,325,047	£2,959,840	£19,284,887	£3,094,440	£41,731,560	£44,826,000
Economic Double Count	£35,695,152	£3,894,582	£39,589,734	£28,393,950	£24,496,892	£52,890,842
Summary	The social value estimates have been taken from Buckingham estimate of Social Value generated in Bristol. Buckingham have used the National TOMs Framework and proxy measures which in the estimation be based on a combination of UK indirect multipliers, regional and local rates.	The social value associated with the operation of Temple Island has been estimated using the average supply chain spending of the Arena Operator, sourced from the P&L account supplied by the Operator. We have assumed a 17.5% leakage rate at a Bristol level in line with the KPMG Temple Island Arena: value for money assessment.	Indicative - for illustration purposes only	The social value associated with the alternative development at Temple Island has been calculated using the estimated supply chain spending associated with the construction of the development. Supply chain spending has been derived from backward inducing spending from the indirect GVA. We have adopted the same approach as Buckingham, assuming that 25% of those employed are from Bristol BS1 to BS16.	The social value associated with the operation of the alternative development on Temple Island has been calculated using estimates of the supply chain spending. Supply chain spending has been derived from backward inducing spending from the indirect GVA. We have adopted a leakage rate of 25% at a Bristol level based upon the KPMG report 'Assessment of alternative development plans for the Temple Island site'.	Indicative - for illustration purposes only
Notes All estimates have been estimated using the Social Value TOMs database. All 'operation' impacts are on an annual basis. All 'construction' impacts are for the period of construction. For consistency and to facilitate comparisons the values and proxy measures are those utilised by Buckingham in conjunction with the Social Value Portal.						

4.3.12. The measures can be refined and incorporated as obligations within the NEC3 Building Contract and detailed in full within in the Employment and Skills Plan. This could then be submitted for discharge of condition 16 of planning permission 15/06069/F, which states “a scheme for an employment and skills programme shall be submitted to and approved by the Local Planning Authority.” These were in the process of being progressed. It is anticipated that if appropriate, a similar approach would be pursued for any proposition that proceeds.

4.4. Risk and Uncertainty

4.4.1. Even with robust assumptions, there will still generally be risks to consider and there will be uncertainty over the range of possible outcomes. A distinction may be drawn between a risk which is measurable and has a known or estimated probability (to which contingencies can then be applied), and an uncertainty which is more vague and of unknown probability.

4.4.2. It is impossible to guarantee precision in BCR or Social Value calculations given the scale of variable factors and contingencies affecting costs or benefits in the near and long term. Although risk adjustment is mathematically straightforward, these have not been carried out on these assessments. Primarily due to the fact that the tools used in determining the evaluations above are based on information available at the time.

4.4.3. Each proposition is unique and a simple adjusted BCR / Social Value can produce an alternative set of initiative rankings that could be useful in choosing

between initiatives but it also uses another set of subjective data that could be seen to 'distort' the results. Rather than eliminate error, it introduces greater risk of error implicit in anecdotal viewpoint about net benefits.

- 4.4.4.** Both assumptions incorporate a level of contingencies to address the point above and should a decision be made to progress the alternative use, this will need to be reviewed as part of the business case development.

This demonstrates that purely on economic terms both sites offer VfM and material social value. With the alternative use development illustrating more positive indicators (not accounting for risk, which could be considered significant, based on the stage of development and need for more in depth due diligence). BCR does not allow for unquantifiable factors which could affect a decision, such as wider Strategic fit and further social impacts which will also need to be considered.

4.5. Affordability

4.5.1. Alternative Use of Temple Island

- 4.5.1.1.** Assessment of the alternative proposition for the Temple Island site assumes reallocation of the £25.6m (excluding land value), CIL, capital receipt and other Council contributions are retained and may be required to support site development. Overall any alternative scheme is anticipated to require significantly less public investment than that required for the Arena, and there is potential for higher economic benefit measured through the benefits cost ratio.
- 4.5.1.2.** The VfM report highlighted the potential for annual business rates of some £2.2m based on the assumptions provided to them, compared to an estimated £400k for an Arena. In each case 50% of rates would be retained by the Council, as part of the pooling arrangement. The alternative scheme also has the potential to deliver additional CIL and New Homes Bonus (under current arrangements) but at this stage these cannot be quantified.
- 4.5.1.3.** However this scheme is at a very early stage of conception and any comparison with the Arena proposal should be seen in that context (as set out in paragraph 1.3 above).
- 4.5.1.4.** Should this scheme not progress then there will be sunk costs of approximately £100k, which will need to be contained within the Growth and Regeneration Directorate Budget.

4.5.1.5. In addition, significant expenditure has already been incurred on the Arena Island site (£12.8m associated with delivery of the Arena scheme). Whilst a small proportion of this will be transferable to an alternative scheme, the majority of costs to date are likely to be deemed abortive if the scheme does not progress. An initial estimate provided by project officers is that this could be as high as £12m, however this will require further due diligence. It is important to note that abortive expenditure cannot be financed through capital resources and will require revenue reversion and that no provision currently exists for this. Officers would need to explore the implications of this on the remainder of the Medium Term Financial Plan.

4.5.1.6. There will be opportunity for the Council to benefit from a capital receipt from the disposal of the site as part of the alternative use proposition.

Based on the assessments undertaken, the alternative use scheme requires significantly lower public sector investment, a potential for higher annual business rates and council tax income, however this needs to be viewed in the context of the risk and uncertainties attached to this proposal.

4.6. Dependencies and Risk

4.6.1. There is insufficient information available at this stage to provide further financial commentary on the alternative Temple Island proposition, beyond that set out in the VfM review which is appended. This is not uncommon for a proposition at this stage of development. Further development of the nature of the scheme, planning considerations, models of delivery, land disposal and procurement arrangements will all need to be considered separately, and financial analysis will need to be provided as scheme proposals progress towards greater maturity and therefore Cabinet will need to be mindful of key risks as outlined below.

4.6.1.1. With regard to the £53m Economic Development Fund, a full business case for this was considered by the LEP in July 2016 and approved with conditions. The conditions including full clarification of scope and costs have yet to be met, and no formal grant offer has yet been issued by the LEP to BCC for this project.

4.6.1.2. It should be noted that although Bristol has a right to seek substitution of the £53m EDF, any such substitution must align to City Deal objectives, and subject to submission of a new business case to be approved by the West of England LEP. EDF Funding is primarily directed at projects within the Enterprise Zones and Enterprise Areas to deliver economic growth, particularly business rate growth. Business cases proposals must also address all relevant aspects of the economic and financial case including

wider infrastructure requirements, viability, cost, benefits, VfM and state aid.

4.6.1.3. There are a number of competing demands on the EDF fund, which may require re-profiling of existing funding assumptions. Furthermore the actual level of EDF is dependent on overall business rate growth across the sub-region's Enterprise Areas and Enterprise Zone being in line with original modelling assumptions, estimated to deliver £500m additional business rates over the period of the 25 years to 2038. So far, business rate growth across the sub region has been below original model assumptions (which are underwritten by each unitary authority), as key schemes have not been delivered in line with original plans. Adverse changes to anticipated business rates growth is likely to impact on the level of EDF available for all programmes that have not yet received final approval. Delays to obtaining final approval or those in developing an alternative proposition for utilisation could result in the EDF allocation being reduced in line revised business rate growth assumptions. Officers are currently exploring alternative propositions that align to the conditions outlined above, should Cabinet determine not to progress this Arena option.

4.6.1.4. The Council received facility, via the LEP, borrowing at project rate (at lower interest than PWLB prevailing rate) to the value of £19.2m to support delivery of the Arena, and this is reflected in the financing assumptions within the VfM review. It is anticipated that, for financing purposes a high proportion of this can be reassigned to other associated schemes. However, that will be subject to LEP approval, and there remains a small risk that if not utilised in line with the conditions of the City Deal, a proportion of that borrowing would have to be repaid with a penalty rate of interest.

4.6.2. There is a risk that the alternative scheme could render the Council liable for tax. A separate review will need to be taken of potential VAT and other tax implications of the alternative scheme. The working assumption is that the scheme will not have additional VAT / SDLT implications however this will be reviewed as plans progress.

4.6.3. Any public sector investment will need to be constrained to public realm infrastructure and avoid incurring any expenditure which could be at risk of not being compliant with State Aid regulations.

4.6.4. It is assumed that the alternative proposition will have the potential to deliver additional business rates however this will be dependent on the actual mix between housing and commercial development, based on viability of the site and the assessed rateable values of the commercial elements.

4.6.5. Commercial risks of pursuing this option are set out in exempt Appendix J.

4.7. Arena Temple Island

4.7.1.1. The Council has previously agreed a capital budget for the construction and associated costs for building the Arena of £123.5m, currently assumed to be funded through £31m of grant funding, via CIL, capital receipts, revenue contributions and direct capital contributions from the operator, with the balance £92.5m, to be financed through prudential borrowing. To offset the annual cost of borrowing, £53m of Economic Development Fund has been secured from the LEP (subject to conditions), which will be financed over the residual period of the Enterprise Area and Zone pooling arrangement, and an annual rental from the operator of the facility over the 25 years of the lease. Since last reported to Cabinet the operator increased their capital contribution and annual rental offer, and the key financial elements of this were reflected in the financial model for the Arena, on which KPMG undertook their assessment.

4.7.1.2. Following the PCSA process, the total costs of the scheme were estimated to be £156.3m exceeding the approved budget by £32.8m (this excludes the land value of the site). Those costs comprised a target cost estimate for construction for the Arena of £122.1m and design, client side and associated costs of £34.2m. Subsequent to finalisation of the VfM review, the contractor put forward proposals for additional savings which have been assessed by officers. It is now considered reasonable that the target cost for construction would be reduced from £122m to £119m, and that would in turn marginally reduce the overall cost by £3.1m. Assumed within overall client side cost is the net cost attributed to the need for an alternative site compound following the land disposal to University of Bristol.

4.7.1.3. Phasing of the capital spend would be as follows:

	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)
Revised Capital Budget	32	46	28	10
Assumed Spend	6	61	63	16
Difference (call on contingencies)	(26)	(11)*	24	6

**Assumes c/fwd of unutilised 18/19 resources*

4.7.1.4. Development of the Arena project would cost significantly more than currently budgeted with a revised capital estimate requirement of £153m, an increase of £30m from that agreed by Council, to be funded from prudential borrowing.

4.7.1.5. The current assumption at the time of writing this report are that there are £41.9m for the life of the medium term plan up to 2023 available for allocation, as set out in the table below Utilisation of the contingencies will

significantly impact upon flexibility to deal with financial risks associated with other schemes and any new pressures that require capital investment.

Current Assumptions on Capital Contingencies

	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Available Capital Contingencies	8.7	7.2	7.9	9.0	9.0
Anticipated draw from Arena			(24.0)	(6.0)	
Available Contingencies (assuming no alternative use)	8.7	15.9*	(0.2)	2.8	11.8

* Assumes c/fwd of unutilised contingency

4.7.1.6. In addition to the above provision within the capital programme would need to be made for development of appropriate car parking facilities. The review of parking requirements concluded the need for additional spaces, including those required as part of the agreement with the operator. Alternative arrangements would need to be sought in order to secure those spaces required for operation of the facility and this could impact upon the viability of the financial model.

4.7.1.7. The indicative additional capital costs of parking development were estimated to be some £16m. It is anticipated that a delivery model with sufficient income generation would be developed for this to become cash neutral. This was reflected in the financial model over the 25 year period.

Despite the significant additional cost the scheme is deemed affordable, and this is reflected in the VfM review conclusion. The review indicated there would be a £1.3m surplus over the 25 year period of the assessment. The reduction in estimated target cost from £122m to £119m will increase that surplus, over the initial 25 year period to £6.55m.

4.7.1.8. In reality the surplus identified above would be utilised as smoothing to offset deficits that arise over the future years, as the income from EDF ends in 2038. All other financial assumptions remain the same as reflected in the KPMG VfM report appended separately. The financial model assumes therefore that all ongoing revenue costs are matched by income from the EDF grant, operator rental streams and income from parking.



Bristol Arena
Value for
Money
Assessment:
Summary
conclusions

**KPMG report for Bristol
City Council**

June 2018

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1 An Arena in Bristol: Value for Money review

1.1 Scope of work

KPMG was commissioned by Bristol City Council (“BCC”) to undertake a value for money review of the Bristol Arena project. The study is intended to provide an evidence base for BCC to allow it to make future decisions on the investment in line with its duty of best value.

KPMG’s initial scope was to review the proposed Arena at Temple Island (the “Temple Island Arena”). During the course of our review this scope has been extended to consider alternative proposals for an arena at the Brabazon Hangar in Filton (the “Filton Arena”) brought forward by YTL Developments UK (“YTL”) acting as developer and alternative plans for a mixed use residential and commercial development at Temple Island. The full scope of our review, including its limitations, are set out in the body of three reports provided to BCC each covering one of the developments¹. This document summarises the key findings of our reports and should not be read in isolation of our full reports.

BCC is faced with multiple decisions that are separate but heavily interdependent:

1. Does BCC proceed with an arena at the Temple Island Site or pursue an alternative mixed use development for that site?
2. If an alternative arena site to Temple Island does not have certainty of being developed within a reasonable time period, how does this impact the decision for the Temple Island site?
3. If an alternative mixed use development is pursued, is the Filton Arena development sufficiently attractive to warrant working on an exclusive basis with YTL for six months to further refine proposals?

We have summarised the key conclusions from our three reports in the following section.

1.2 Value for Money conclusions

Below we set out the key value for money conclusions from our three reports. We highlight that the analysis completed on the Filton Arena and the alternative mixed use development at Temple Island is high level as both options are at earlier stages of development than the plans for the Temple Island Arena. It will be important for BCC to continue the necessary due diligence and assessments to ensure a sound cohesive economic development plan to support the decisions they wish to undertake. However, the key points from each of our reports that we would like to highlight are as follows:

- In net terms, the direct, indirect and induced impact of the operation of the Temple Island Arena, wider spending of attendees and catalytic development could generate Net Present Value (NPV) of Gross Value Added (GVA) of approximately £387.1m and up to 660 Full Time Equivalent (FTE) jobs in the West of England over 25 years. This provides justification for the use of public money for a lower than commercial rate of return.
- The social and economic case for an arena in Bristol is clear and well made, enhancing economic output and having a positive cultural impact. However, the strategic case for the arena at the Temple Island site has been weakened since the FBC was submitted. The changes to the strategic plans for the City, as well as BTQEZ and the University of Bristol’s purchase and

¹ Temple Island Arena: Value for Money Assessment, Assessment of alternative plans for an arena in Bristol, and Assessment of alternative development plans for the Temple Island site.

development of the remainder of the Temple Island site and the Post Office sorting depot site, has weakened the likely catalytic impacts of the Arena being located on this site.

- The projected capital cost of the Arena is materially higher than the approved budget to date, at £156.3m versus £123.5m (an 18% increase or £32.8m). KPMG note that the Arena would be one of the most expensive Arena's in the UK in terms of cost per square metre based on benchmarking information prepared for BCC by Aecom.
- The Arena will be entirely publicly funded with a mix of BCC capital contribution (£25.9m), the opportunity cost of the land for the site (estimated value at £12.5m) and a further loan (of £145.0m) obtained by BCC. £53m of the loans and associated interest costs are repaid through funding from the LEP provided over 18 years. The remaining BCC loan is serviced from lease payments from the Arena operator to BCC and car parking income. Current financial forecasts show that returns are broadly sufficient to service the additional PWLB loan and make repayments to a level where the residual value of the Arena debt at year 25 is marginally higher than the estimated debt outstanding. Whilst appropriate construction cost contingencies have been made and the contractual structures mitigate risk to the extent that is commercially reasonable, the level of financial return does not represent a commercial rate of return for the residual risks being taken.
- The competing development plans for the Temple Island site through mixed use development have the potential to deliver a materially higher economic benefit to the City. The mixed use development proposals can be expected to deliver GVA of £875.3m (in NPV terms) and deliver 2,026 full time equivalent jobs. Combined with the lower requirement for public funding, this means a BCR for the competing plans of 23.0:1 versus 3.2:1 for the Temple Island Arena.
- The alternative plans for Temple Island also contribute towards the strategic aims of the City, although not necessarily the same ones as the Arena development. Specifically they would contribute towards the delivery of new housing, including affordable housing; the development of a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person linked to the creation of new employment spaces and associated jobs; and reducing social and economic isolation and helping connect people to people, people to jobs and people to opportunity.
- Importantly, the mixed use development proposals are at an early stage in development planning and hence are not comparable from a deliverability perspective to the Temple Island Arena plans. Whilst sensible steps have been taken with professional advice from external third parties, this does not compare to tendered contractual positions for the Temple Island Arena. This creates a higher degree of deliverability risk, although this is not unusual for a project at this stage in development.
- Should a decision be taken not to proceed with the Temple Island Arena, BCC has the option to pursue a proposal for a privately funded and owned Filton Arena, being brought forward by YTL Group. YTL's development proposals are in their infancy so it is not possible to conclude on their deliverability. Significant risk remains as to the commercial and technical deliverability because of the early stage of development. It is noted that commercial return from the Filton Arena itself is not the primary objective for YTL, as they stand to benefit from the location of the Filton Arena to surrounding housing development that they are planning and associated transport links that would be put in place. This helps but does not fully mitigate the commercial deliverability risk
- The 16,000 seater Filton Arena would not require any direct public funding, however subject to approval and the reallocation of the LEP funding, £53m could be used to fund transport upgrades. Providing this repurposing of the LEP funding is permitted, there should be no cost to BCC. BCC may wish to take a minority equity stake (subject to agreement with YTL) in the Filton Arena to exert a greater degree of control and influence over operations.

- Based on employment and attendee projections provided by YTL, which are not at a sufficiently advanced stage in development to be ready for detailed due diligence, economic and employment impact of the Filton Arena will exceed that of the Temple Island Arena. There is a reasonable degree of caveat on those projections because of their stage in development. Apart from location specific impacts, the strategic benefits of the Temple Island Arena would transfer to Filton. Because of location, there would be some leakage of economic benefit outside of Bristol, but retained in the West of England area.

In summary, BCC's decision to proceed with the Arena balances relative priorities of generating the best economic and employment value from the Temple Island site; meeting different strategic and public priorities and propensity to invest a material amount of public funding into an Arena with some risk. The Filton Arena plans give an opportunity to deliver an arena in Bristol if alternative plans for Temple Island are pursued, although given the infancy of development plans there remains a higher degree of deliverability risk in those proposals.

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Temple Island Arena: Value for Money Assessment

**KPMG report for Bristol
City Council**

June 2018



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1 About this study

1.1 History of Temple Island Arena project

Bristol is the only UK core city that does not have a major arena¹. In 2013, Bristol City Council (“BCC”) commissioned a study that would assess the feasibility of the construction of an arena in the City². This study found that there was strong support for an arena, as well as:

- a strong market in Bristol for an arena;
- interest from major operators in leasing an arena; and
- a requirement for public sector funding for the project.

BCC purchased a site (the former Diesel Depot site and the Post Office Sorting Depot site) to house the Arena in 2015. The site, named Temple Island, is part of the Bristol Temple Quarter Enterprise Zone (BTQEZ), located close to Bristol Temple Meads train station.

The proposed Arena has been designed to have a 12,000 (10,000 seated) capacity and it is proposed that it will be situated on the Temple Island site. As a result of a procurement exercise the Arena is expected to be rented and operated over a 25 year period by SMG and Live Nation (“the Arena Operator”), who have formed a joint venture specifically for the Temple Island Arena following a BCC led procurement process.

In 2016, after submitting a business case to the West of England Local Enterprise Partnership (“LEP”), BCC was granted £53.0m in funding for the proposed Arena project to be paid over an 18 year period commencing on the opening of the Arena. This is supplemented by £25.9m of investment to develop the Arena from BCC itself.

If the Arena is taken forward as currently planned, initial enabling works are expected to commence in 2018 and construction works will begin in 2019, with the intention of the Arena opening in 2021.

Since the LEP funding was granted, a number of key events have taken place:

- a new contractor for the construction of the Arena, Buckingham Group, has been appointed by BCC;
- a Target cost for the project has now been identified, and the total project cost exceeds the approved budget for the project;
- the University of Bristol has purchased a portion of the Temple Island site and the former Post Office Sorting Depot site in the BTQEZ where a new campus and student residences will be located; and
- YTL Developments Limited (“YTL”), an infrastructure conglomerate, has come forward with a competing proposition to build a privately financed arena in the Brabazon Hangar in Filton, 5 miles from Bristol City Centre, therefore not requiring the same degree of public funding support.

¹ Davis Langdon and IPW... (2013) Bristol Arena Outline Business Case: Final Report November 2013.

² Davis Langdon and IPW... (2013) Bristol Arena Outline Business Case: Final Report November 2013.

1.2 Scope of work

KPMG was commissioned by BCC to undertake a Value for Money (“VfM”) review of the proposed Temple Island Arena. The study is intended to provide an evidence base for BCC to allow it to make future decisions on the investment in line with its duty of best value.

In this context, Value for Money relates to the achievement of both economy and efficiency (i.e. delivering the benefits which were the justification for the investment at the outset and meeting these objectives at a proportionate cost).

Our study covers the following main areas:

- A review of the strategic case for the Arena on the Temple Island site, including:
 - identification of the stated objectives for the Arena;
 - an assessment of the current validity of those objectives and their compatibility with the overall vision and priorities of BCC and the BTQEZ; and
 - a review of the extent to which the objectives warrant the allocation of public funding on both an initial and ongoing basis and the scope for alternative approaches to achieving these objectives on a more efficient and/or effective basis.
- A review and assessment of the strength of the economic case for the Arena on the Temple Island site, based on an appraisal methodology that is consistent with the principles set out in the HM Treasury Green Book. This includes:
 - a review of the estimation of the Gross Value Added (GVA) and employment impacts through the construction and operational phases of the Arena, in direct, indirect and induced terms;
 - a review of the evidence in relation to the wider impacts that could be realised in terms of catalysed development going forward;
 - a review of evidence in relation to any social impacts that could potentially be realised through any commitments given by the Arena Operator and developer; and
 - identification of gaps in the evidence base.
- Commentary on the Benefit Cost Ratio (BCR), including taking account of the full socio-economic impact of the project and the impacts that are not direct or easily valued. A review of the environmental impacts is not included within the scope of KPMG’s work.
- A review of the main contractual arrangements and an assessment of the key commercial and contractual risks and opportunities.
- A review and analysis of the projected financial forecasts of the Arena project, including: a review of the identified level and trend of costs, various funding mechanisms, the impact of the project on BCC’s revenue and capital account; and consideration of alternative financing options.
- Specification of potential performance indicators that may be used by BCC to better monitor the performance of the Arena development and the achievement of the overarching outputs and outcomes against specified milestones.

Our analysis draws upon data and information provided to us by BCC and other stakeholders, including:

- Buckingham Group Contracting Limited; (“Buckingham” or “BGCL”)
- the Arena Operator;
- the University of Bristol,
- BCC’s cost consultants, Aecom;

- the Homes & Communities Agency (HCA)³;
- Destination Bristol; and
- key personnel at BCC involved in the Arena project and the BTQEZ.

Additionally, we sourced data and information from a number of external public sources. This includes official statistics published by the Office for National Statistics (ONS), data from the HCA and existing research, analysis and economic literature from a range of sources.

1.3 Structure of this report

Our report is structured over two documents.

- a) This Report: Provides a commentary of the key findings of our review; and
- b) The Background Document: Contains commercially sensitive information not for publication.

Sections 2, 3, 4 and 5 of this Report highlight our headline findings and recommendations.

We note that subsequent to our initial findings and recommendations, BCC commissioned KPMG to produce assessments of alternative propositions, both for an arena in Filton at the Brabazon Hangar and also an alternative mixed use commercial and residential scheme at Temple Island. Our assessment of those propositions is contained in our reports entitled 'Assessment of alternative plans for an arena in Bristol' and 'Assessment of alternative development plans for the Temple Island site'.

³The HCA became Homes England in January 2018.

2 Headline findings

KPMG's headline findings are set out below. Section 4 sets out these points in further detail.

- **We estimate the Project has a positive BCR, although lower than the 2016 estimate:** Over a 25 year period there is an estimated BCR of 3.2:1. This suggests a strong economic case for the Arena at Temple Island.
- **We estimate the Arena could yield net additional economic output and employment:** In net terms, the direct, indirect and induced impact of the operation of the Arena, wider spending of attendees and catalytic development could generate Net Present Value (NPV) GVA of approximately £387.1m and up to 660 Full Time Equivalent (FTE) jobs in the West of England over 25 years.
- **We note that positive social impacts may also arise from enhancing Bristol's cultural offer:** The Arena will fill an existing gap in Bristol's cultural offering, and would regenerate a currently derelict site in Bristol. The Arena could have widespread benefits in terms of improving the standard of living in Bristol, improving access to culture and arts and improving community cohesion. Social impacts are also linked to the developer's Employment and Skills Plan⁴ (targets to be finalised) and any community engagement activities the Arena Operator chooses to put in place⁵.
- **We note the strategic case has weakened since the Outline and Full Business Cases were drafted:** Since the Full Business Case ("FBC") for the Arena was put forward, BCC has further developed its strategic plans for the City and BTQEZ, and wider public priorities have changed. Furthermore, the University of Bristol's purchase of the remainder of the Temple Island site and the Post Office Sorting Depot site has weakened the likely catalytic impacts of the Arena and, therefore, the strategic case of the project. The strategic rationale for public sector intervention would also be weakened if YTL's private sector led and financed proposition for an arena proves deliverable and would generate a similar or better BCR.
- **We note that the projected development cost exceeds BCC approved budget:** BCC has received a Target Cost estimate from Buckingham of £122.1m that, once added to BCC's own costs of £34.2m⁶, give a total estimated cost (excluding land contribution and car parking) to develop the Arena of £156.3m, exceeding the approved budget of £123.5m⁷ by £32.8m. Buckingham has been appointed following a two stage tender process, meaning the actual cost may differ from the Target Cost as subcontractor packages are agreed. The risk of actual cost differing from Target Cost is shared between BCC and Buckingham, although BCC has made prudent contingency allowances for BCC risk that follows professional advice. The risk sharing mechanism is described further in the Background document.
- **We note that significant public funding support is needed to deliver the Arena:** The total development cost of the Arena is estimated at £188.6m, comprising the £156.3m set out above, £16.2m to develop the required car parking facilities for the Arena, a valuation of the land contributed of £12.5m and interest during construction of £3.6m. This will be met by BCC funding contributions of £38.4m (including the land contributed) and net operating cash flow during construction of £5.2m with the remaining £145.0m met through borrowing from the Public Works Loan Board ("PWLB"). The LEP will meet the costs of interest and repayment of £53.0m of the

⁴ Buckingham Group Contracting Limited (2017) Employment and Skills Plan (ESP) for Bristol Arena.(revised March 2018)

⁵ We note that there are no contractual obligations on the Arena Operator, at present, to deliver such activities.

⁶ BCC costs include client side, project management costs, and risk contingencies. These are costs are set out in further detail in the confidential Background Document.

⁷ Previous BCC budgets for the Arena did not take account of anticipated car parking costs

PWLB loans (£65.6m over an 18 year period⁸) with interest and repayment of the remaining £92.0m met from net income from the Arena and car parks. After taking into account the BCC and LEP funding contributions that do not require repayment, the Arena will make a positive financial return, before financing costs, of 2.82% nominal over 25 years in nominal terms.

- This level of nominal financial return is lower than our estimate of what a commercial investor would require for an investment of this risk (KPMG use a proxy estimate of 6.20%) and below the HM Treasury Green Book threshold for public sector investment appraisal of 5.57% (3.50% real rate adjusted for BCC's 2.00% inflation assumption). Before any public sector funding contributions the Arena is estimated to deliver a financial return of -0.67% over 25 years. This willingness to invest at a sub-commercial return represents direct financial support. KPMG calculate the value of this support in NPV terms as £36.9m using HM Treasury Green Book rates and £42.1m using KPMG's estimate of a project specific rate of return⁹ of 6.2%.

Figure 1: Estimate of public funding support

£m	Total (nominal)	NPV (Project)	NPV (HMT)
LEP funding support	65.6	29.7	32.0
BCC contributions	38.4	31.3	31.9
Total direct funding support	104.0	61.0	63.9
Value of sub-market investment return		42.1	36.9
Total value of public financial support		103.1	100.8

Source: BCC, KPMG analysis

- We note that arenas in the UK typically require public subsidy and are not independently profitable at commercial rates of return.
- **We note there is no ongoing revenue cost for the Council:** The financial return from the Arena of 2.82% over 25 years, after taking into account the committed LEP funding of £53.0m¹⁰ and £38.4m of earmarked BCC capital and land contributions, is marginally more than BCC's assumed long term cost of borrowing under PWLB of 2.80%. This means that the annual operating surpluses from the Arena can meet the cost of the interest and repayment of PWLB debt over 25 years, generating an additional operating surplus of £1.3m in nominal terms over 25 years under current forecasts. With appropriate profiling of debt repayments, there is no ongoing revenue cost for the Council¹¹. We note there is very little contingency, margin or profit for BCC. Should gilt rates increase prior to executing the PWLB debt, or additional BCC costs be incurred, an operating deficit could arise.
- **We conclude that key risks are backed off to subcontractors but risk for BCC remains:** The contractual structure backs off key construction and operating risks to subcontractors, mitigating the Council's risk. In our view the key commercial risks to BCC are as follows:
 - **Design risk:** We note that the Buckingham Target Cost estimate follows a value engineering exercise to reduce construction cost. This has led to design changes meaning that there is currently no detailed design that matches the revised Buckingham offer. This suggests a greater degree of risk in the Target Cost number than we would ordinarily anticipate at this stage of a project.
 - **Income and operating risk post year 25:** The Arena will be leased to Arena Island Limited ('AIL'), a joint venture between SMG Europe Holdings Ltd and Live Nation UK Ltd for 25 years

⁸ The £65.6m LEP contribution comprises funding support of £53.0m plus meeting £12.6m of interest costs due to the contribution being provided over an 18 year period.

⁹ Further detail on the basis for the KPMG estimate of project specific rate of return is contained within the Background Document.

¹⁰ LEP funding comprised of £53m in agreed funding, plus associated interest costs associated with PWLB loans, estimated at £12.6m per BCC financial forecasts. Total assumed funding is therefore £65.6m

¹¹ We note that in the financial model that BCC provided to KPMG, the repayment profile of the PWLB loan is shown such that there is a small funding shortfall in years 1-14 and 20-25 of the Arena's operation. Our conclusion is based on the fact that this doesn't have to be the case, if PWLB repayments are sculpted around the receipt of cash from the LEP and Arena Operator. The actual repayment profile of PWLB loans should be considered as part of BCC's overall treasury management strategy and not on a stand-alone project basis.

post completion, with AIL taking the risk of income, operating and maintaining the Arena for that period. £59.5m of PWLB debt (net of MRP reserves) is estimated to still be outstanding at the end of the AIL contract, which would either need to be repaid through sale of the Arena or ongoing income from that point. BCC's estimate of market value of the asset at year 26 is 111% of the debt outstanding. These levels of loan to value are high compared to KPMG's estimate of what a commercial investor would require and given the high level of uncertainty of forecasting 25 years into the future. The future valuation of the Arena is calculated based on the present value of future net income from the asset. This is a reasonable approach, but we note that a valuation of the Arena in 25 years is highly sensitive to changes in operating assumptions over that period.

- **Counterparty risk:** The passing of financial risk to Buckingham Group and AIL rely on the credit standing of those counterparties relative to their obligations. We have reviewed the financial positions of both parties in the Background Document based on information available from the latest published annual accounts.
 - Buckingham is a medium sized UK based contractor, with over £400m in turnover, £62.5m of cash and limited borrowing based on its 2016 audited accounts. This is a reasonable balance sheet position for a company of this size. We understand from BCC that Buckingham continued to grow in 2017, with its audited figures for 2017, due to be released shortly, expected to show increases in both its revenues, profit before tax and cash position. Given the challenges in the UK construction market, the role of the BCC project team in monitoring construction performance and spend takes greater importance.
 - AIL is a joint venture between SMG and Live Nation. SMG and Live Nation are two market leading companies in the live entertainment industry, with Live Nation being listed on the NYSE and having a Moody's credit rating of Ba3. Whilst this is not investment grade, overall we consider the risks associated with the operator income as being low or at least mitigated to the extent reasonably deliverable.
- **We note Aecom's work that concludes that BCC has taken a reasonable approach to assessing the construction cost and risk of the project, albeit the nature of the contract with a pain gain share mechanism means there is still the potential for cost overruns:** Aecom's view is that the build can be achieved within the Target Cost envelope of £122.1m, recommending a further client side contingency of £4-5m to cover any BCC risks under the contract. BCC has provided additional contingency beyond the recommended Aecom level, suggesting a degree of prudence. BCC's maximum potential exposure under the pain/gain share mechanism is £9.15m.
- **We conclude that the link to wider City vision could be further developed to strengthen the case for the Arena and its proposed location:** Looking at the benefits of any major infrastructure or public sector capital project in isolation has limitations, as the economic and social strength of a place relies as much on how different projects complement and reinforce each other as part of an overall vision and plan providing a package of public interventions towards an overall aim. In this case, the Arena's role as part of a wider City Plan and vision for development could be strengthened.

3 Financial Overview

We set out in Figure 2 below the Arena project cash flow, as per BCC's financial projections for the Arena and associated car parking requirements.

Figure 2: BCC Project cash flow statement¹²

£m	Total	Construct ion			Operations			Residua l value debt repayment
		Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25		
Operating cash flows								
Operating rent and car parking income*	90.8	-	14.7	16.2	18.0	19.9	22.0	0.0
Asset value at year 25	66.0	-	-	-	-	-	-	66.0
Total operating cash flows	156.8	0.0	14.7	16.2	18.0	19.9	22.0	66.0
Project capital expenditure								
Arena capital expenditure**	(167.3)	(167.3)	-	-	-	-	-	-
Project cash flows	(10.5)	(167.3)	14.7	16.2	18.0	19.9	22.0	66.0
Revenue and capital contributions								
LEP funding	65.6	-	20.7	18.8	16.9	9.2	0	-
Project cash flows after LEP contribution	55.1	(167.3)	35.4	35.0	34.9	29.1	22.0	66.0
Total BCC capital contributions	25.9	25.9	0.0	0.0	0.0	0.0	0.0	0.0
Pre PWLB financing cash flows	81.0	(141.4)	35.4	35.0	34.9	29.1	22.0	66.0
Financing								
PWLB interest expense	(85.3)	(3.6)	(19.8)	(18.1)	(16.3)	(14.4)	(13.2)	-
Interest income	5.6	-	0.1	0.5	1.1	1.7	2.2	-
Net interest expense	(79.7)	(3.6)	(19.7)	(17.5)	(15.2)	(12.7)	(11.0)	-
Net PWLB debt drawdown	145.0	145.0	0.0	0.0	0.0	0.0	0.0	0.0
PWLB debt repayment over years 1-25	(55.8)	-	(12.1)	(12.7)	(13.4)	(10.9)	(6.8)	-
Residual value repayment	(89.2)	-	-	-	-	-	-	-89.2
Total debt drawdown and repayment	-	145.0	(12.1)	(12.7)	(13.4)	(10.9)	(6.8)	(89.2)
Transfers (to)/from MRP reserve	-	-	(4.4)	(5.1)	(5.8)	(6.7)	(7.7)	29.7
Surplus / (deficit)	1.3	-	(0.8)	(0.3)	0.5	(1.1)	(3.5)	6.5

*Includes arena and car parking income, and operating costs

** Includes car parking, contingencies, arena build cost, net operating cash flow during construction and BCC internal costs

Source: BCC cash flow forecast - 18th May 2018

The project cash flows from the Arena and associated car parking generate a loss of £10.5m. Once the income over an 18 year period from the LEP of £65.6m is taken into account the project generates a surplus of £55.1m. This represents the return to BCC.

After BCC's own capital contributions of £38.4m, including land of £12.5m and the borrowing costs associated with the PWLB lending are factored in the Arena delivers a small nominal terms surplus of £1.3m in BCC's own financial projections. BCC's projections show a small cash deficit from years 1-9

¹² Cash flows excludes the land contribution of £12.5m as this is not a cash item

and 19 to 24. However, if debt repayments are sculpted more closely to cash generated it is possible for the Arena to generate a small cash surplus in every year and meet debt repayments.

Figure 3: Sources and Uses of funds during construction

Sources	£m	Uses	£m
Capital Funding	15.9	Buckingham Target Cost	122.1
Transport Contribution	1.8	BCC Costs ¹³	50.4
CIL	8.0	Interest During Construction	3.6
Net operating cash flow during construction period	5.2	Temple Island Value	12.5
BCC Revenue Contribution	0.3		
Land Contributed	12.5		
Borrowing			
PWLB	145.0		
Total	188.6		188.6

Source: BCC financial projects 18th May 2018; KPMG analysis

We note that after BCC contributions of £25.9m and the land contribution valued at £12.5m the Arena delivers a return marginally above BCC's assumed borrowing costs of 2.80%.

Figure 4: Arena returns

	Nominal IRR	Nominal IRR (excl. sunk costs)
Project cash flows before public contributions	-0.67%	-0.33%
Project cash flows including LEP contribution	1.28%	1.74%
Project cash flows including LEP and BCC capital contributions	2.82%	3.50%

Source: BCC financial projections 18th May 2018; KPMG analysis

¹³ BCC Costs include car parking construction, risk contingencies and client side costs. These costs are set out in further detail in the Background Document.

4 Value for Money overview

4.1 Review of the strategic case

4.1.1 Summary of the stated objectives of the Arena

As a public-sector led and funded project, the Arena needs to be considered in the context of the wider public priorities, and whether the Arena is the best use of public money in terms of delivering public benefit.

As part of our review, we considered BCC's stated objectives for the Arena and their current validity and compatibility with the overall vision and priorities of BCC and the BTQEZ.

A vision for the Arena project was set out in the 2012 feasibility study¹⁴ and restated in the Outline Business Case (OBC) for the Arena, dated November 2013¹⁵:

"The delivery of an arena for Bristol on the Temple Quarter site, acting as a major catalyst and economic driver for the new Enterprise Zone. The Arena should be commercially driven, delivered quickly and on budget, and be sustainable at no on-going revenue cost to the Council and its partners."

This OBC also detailed key objectives for the project, stating that these were the factors against which success of the project would be determined. The objectives were expressed in relation to two aspects of the Arena; the experience and the building. The objectives broadly set out the desired public perception, capacity and functionality of the Temple Island Arena.

The FBC¹⁶, submitted to the West of England LEP in April 2016, also largely re-stated these objectives, with some minor changes in relation to the functionality of the Arena and the surrounding infrastructure, such as parking.

4.1.2 Summary assessment of the existing strategic case for the Arena and current validity of the stated objectives

Since the FBC for the Arena was put forward in 2016, BCC has further developed its strategic plans for the City and BTQEZ and wider public priorities have changed, partly in light of budgetary constraints. For example, housing, social and economic equality and social care are key priorities identified by BCC in its Corporate Strategy¹⁷ which, largely, the Arena project will not address¹⁸. However, we note that the Arena could contribute towards BCC's commitment to *"keep Bristol a leading cultural city, helping make culture, sport and play accessible to all"*¹⁹.

For the purposes of our assessment KPMG considered the strategic case put forward in the 2016 FBC, as this is the most recent version of the strategic case and therefore the most relevant for consideration as part of our review. The stated objectives have been set out and assessed in the Background document.

¹⁴ Davis Langdon, An AECOM Company and IPW... (2012) Bristol Arena Stage 1 Feasibility Report.

¹⁵ Davis Langdon, An AECOM Company and IPW... (2013) Bristol Arena Outline Business Case: Final Report November 2012.

¹⁶ Bristol City Council (2016) Bristol Arena Full Business Case.

¹⁷ Bristol City Council (2017) Corporate Strategy 2018-2023. Draft for consultation, November 2017.

¹⁸ The economic and social impacts associated with the Arena are assessed as part of our VfM review, although impacts on inequality have not been previously assessed, therefore do not form part of our assessment.

¹⁹ Bristol City Council (2017) Corporate Strategy 2018-2023.

The key ways in which the strategic case for the Arena has changed since the FBC and the key factors affecting the validity of the stated objectives are:

- **There is likely to be less potential for the Arena to catalyse the BTQEZ going forward:** The stakeholders at BCC and Destination Bristol consulted during the course of our review suggested that plans to locate the Arena on the Temple Island site may have already helped to catalyse development in the BTQEZ, by giving developers the confidence to invest in the zone. The wider catalytic impact of the Arena going forward may be more limited as other developments such as the University of Bristol campus and the Temple Meads Station re-development are likely to have a greater influence in attracting businesses to the BTQEZ than the Arena. Reduced availability of sites adjacent to the Arena was also considered to limit the scope for additional new development in the immediate vicinity.
- **The Arena could benefit the local communities and deliver ongoing social benefits, depending on the level of the Operator’s engagement with the local community:** Although the Arena will be a publicly owned asset, it will be operated privately. The degree to which public benefits arise will depend on the Arena Operator. At present, the Arena Operator has put forward examples of community engagement activities it has delivered at other arenas but we have seen no formal plans presented for community programmes in Bristol and there are no contractual obligations on the operator to provide these²⁰.

The Arena will deliver employment opportunities in Bristol through both the construction and operational phases. The contractor, Buckingham, has contractually committed to use local labour, including delivering apprenticeships and engaging with local education establishments²¹. The Arena Operator has stated that it aims to recruit 20% of its workforce from the local area²². This increased employment and economic activity is likely to benefit the City as a whole.

Furthermore, during our consultation with stakeholders it was noted that the Arena could improve access to the south of Bristol, through wider infrastructure associated with the Arena such as the Southern Access footpath and cycle link. We have been told by BCC that these areas directly south of the Temple Island site are relatively deprived and therefore improved access to the City centre, key economic zones and transport facilities may improve quality of life for the residents in these areas.

- **Although the Arena could contribute toward the growth and future development of the LEP priority economic sectors²³, its impact may be limited:** The Arena will fill a gap in Bristol’s cultural infrastructure. The UK Government Culture White Paper suggests that culture can be an important factor in the level of quality of life within an area. Section 4.4.4 summarises the social benefits that may arise from the Arena. Destination Bristol noted to KPMG as part of the stakeholder engagement that the Arena could increase the attractiveness of the BTQEZ as a potential location for firms, especially those in the creative and digital media sectors. However, it is unlikely that the Arena alone will be a key factor in a firm’s location decision.

The Background Document sets out in greater detail our review and assessment of the existing strategic case for the Arena as presented in the FBC.

4.1.3 Summary assessment of the case for public intervention

In reviewing the strategic case for the Arena, it is important to assess the rationale for public intervention and how the validity of this rationale may have changed over time. This includes examining what the market failure may be and/or any externalities that may be present in the market.

²⁰ We understand from BCC that when tendering for an Arena Operator and agreeing contractual terms a decision was made not to place contractual obligations on an operator to provide community engagement activities but instead to maximise operator rental income.

²¹ In Buckingham Group Contracting (2017) Quality Commitment Question No.2 Employment and Training, Buckingham has committed to “aim to have” 75% of its workforce from the West of England, with 50% from Bristol.

²² As set out in the Draft Local Impact report compiled by Arena Island Ltd. and shared with KPMG by BCC.

²³ The priority sectors are: advanced engineering and aerospace; creative and digital; high-tech; low carbon and professional services.

In the case of the Temple Island Arena, the strategic rationale for public sector investment in the scheme, as set out in the 2016 FBC, is centred on three main points:

1. It is rare for arena projects to be brought forward by the private sector;
2. The benefits gained from the Arena will mostly be public benefits and as a result, the project is not seen as commercially viable for private investors; and
3. The Arena is expected to act as a catalyst for the development of the wider area. The Temple Island site, on which the Arena is proposed to be located, is a derelict brownfield site which has been vacant for over 15 years with little to no private interest. Therefore, there is evidence that the private sector has not been forthcoming in delivering any developments on the site.

There is some evidence to suggest that arena projects are generally not brought forward by the private sector. Of the three most recent arena projects²⁴ in the UK, only one has been primarily private sector led, although it should be noted that this project was the refurbishment of the Sheffield Motorpoint Arena, which was a comparably much smaller project than that of the Temple Island Arena project. In all other cases, the projects have been championed and majority funded by the public sector and there are examples of where private sector proposals have not proceeded (e.g. the Leeds Arena).

We note that investment by the public sector in cultural assets, such as arenas, often reflects the wider benefits (positive externalities) that can be realised. These are benefits to the wider economy and society beyond those that would be realised by private developers. Where the social returns are higher than the private returns this can provide a further rationale for public sector intervention. These economic and social impacts are assessed in Section 4.4.

In the case of Temple Island Arena, we note that no private investor had previously come forward with proposals for funding the development of an arena on the Temple Island site. The development of the Arena would involve high levels of upfront investment. This is unlikely to be attractive to most private sector organisations or be regarded as commercially viable given the level of risk and returns from the project.

The Temple Island site is a derelict brownfield site, requiring remediation. Planned developments on the site and surrounding area, such as the University of Bristol development and some developments in the Enterprise Zone, have been backed by public sector funding. However, given the well-connected location of the Temple Island site within the BTQEZ and its proximity to Temple Meads Station, the site may become increasingly attractive to private investors in the future as other developments progress. Some element of public sector intervention may still be required, however. The potential alternative use of the Temple Island site, and the extent to which it may require public intervention is reviewed in our report, Assessment of alternative development plans for the Temple Island site.

Since the FBC was submitted, a private sector led proposition for an arena in Bristol has been brought forward by YTL. Its proposition is for an arena to be developed by YTL in the Brabazon Hangar in Filton, Bristol. If deliverable and shown to deliver a similar BCR, this private sector led proposition weakens the strategic rationale for public sector intervention of the proposed Arena project on Arena Island site.

4.2 Review of the commercial case

KPMG has reviewed the commercial structure of the Project and the arrangements in place with Buckingham Group Contracting Limited to construct the facility and Arena Island Limited ('AIL'), a joint venture between SMG Europe Holdings Ltd and Live Nation UK Ltd, who will operate the Arena for an initial period of 25 years.

²⁴ Includes Leeds Arena in 2013, SSE Hydro Arena in Glasgow in 2013 and the refurbishment of Sheffield Motorpoint Arena in 2010.

We set out below the key considerations from BCC arising from our review of the commercial structure:

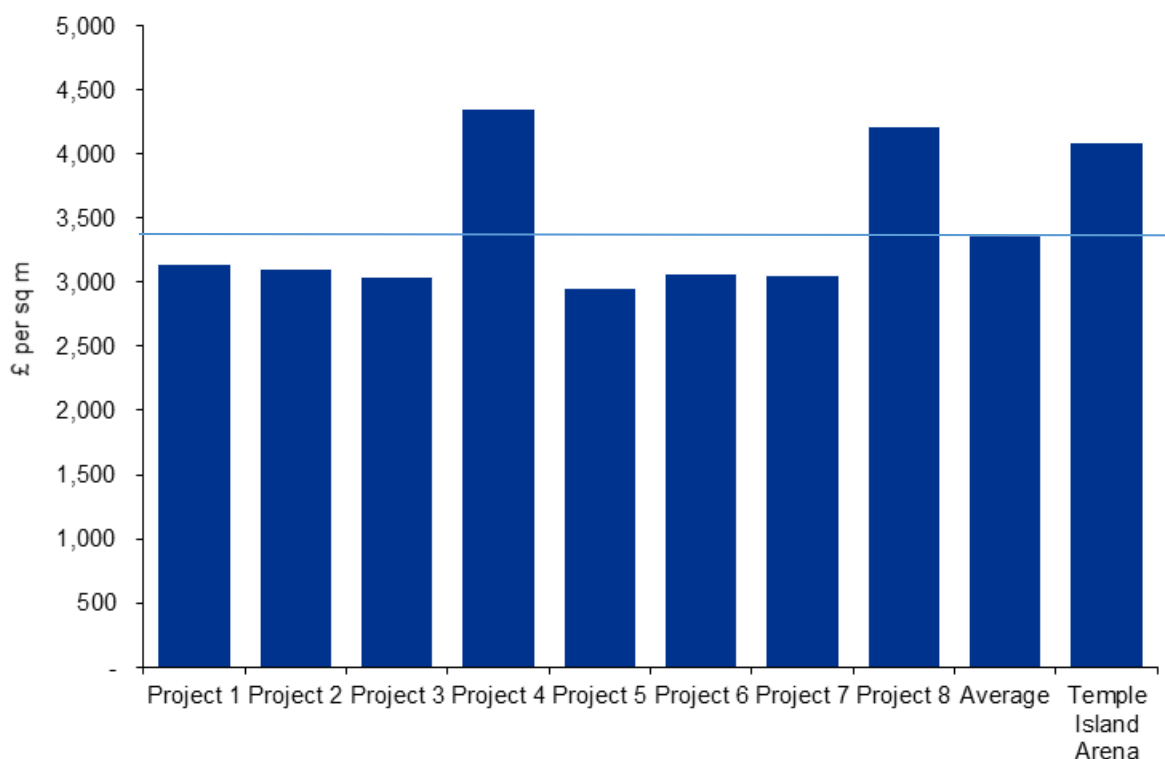
4.2.1 Construction phase

Target Cost exceeds BCC approved budget due, in part, to the BCC specification for the Arena- Buckingham's latest Target Cost Offer is in line with Aecom's July 2017 cost estimate.

However, the Target Cost, when combined with BCC's own costs and contingencies, gives a total of £156.3m, £32.8m greater than the approved budget of £123.5m, albeit we note that the approved budget does not include associated car parking costs nor considered the car parking income that pays for the debt service associated with the car parks over time.

We note that Aecom's report to BCC benchmarked the cost of delivering the Bristol Arena against other recently development arenas in the UK and found that the Bristol Arena was in the top quartile on a £/ sq m basis, at c.£4,087/ sq m, 21.4% more than the UK average. This is driven by variety of reasons including site specific constraints due to location, the high quality specification for the design of the building, which was procured by a design competition, reflecting the desire, as stated in the FBC, for Bristol to have an "iconic" arena and tender apathy amongst local contractors due to ongoing public debate around the Arena, suggesting lower levels of competition and hence lower value for money.

Figure 5: Aecom Temple Island Arena cost benchmarking on a £/ sq m basis



Source: Aecom

Reasonable approach to cost estimate – BCC has elected to use a Target Cost setting approach with its chosen contractor, Buckingham. A feature of this approach is that any savings or overruns against the Target Cost are split between Buckingham and BCC, known as the pain gain share mechanism, which is set out in further detail in the Background Document to this report. As a result

there is the potential for the construction cost to exceed the agreed Target Cost. There is also a risk of overruns relating to elements of the project where the risk is retained by BCC.

Aecom has recommended a contingency of £4m - £5m. BCC has gone further than this in its assumptions, as set out in detail in the Background Document, indicating that it has been prudent in its projections. Aecom's view is that the Arena can be delivered within the Target Cost envelope, noting that the Target Cost "has been substantially market tested and once the project regains traction further buying gains are expected from the supply chain"²⁵.

Detailed design is still in development: Due to their initial bid being significantly over budget, Buckingham has undertaken a value engineering exercise on the design to bring construction cost down closer to the initial budget and within Aecom's cost estimate. This has culminated in the current Target Cost.

This value engineering exercise has led to design changes that have not been fully developed. Specifically, Aecom note in their Tender Report that there is "*currently no design that matches the revised BGCL offer and the pain share risk remains due to the NEC Option C Contract*". For further detail, please refer to the Aecom report.

The design of the Arena will be of critical concern to the operator, with Aecom noting that whilst the suggested design changes will not fundamentally change the operator position or business model, further consultation is needed with them.

Financial strength of Buckingham: We have performed a high level assessment of the financial strength of Buckingham based on publically available information.

Buckingham is a medium sized UK based contractor, with over £400m in turnover, £62.5m of cash and limited borrowing (£2m) as at the time of their last published accounts (31 December 2016). We understand that their accounts for 2017 are expected to show the company grew further in the year, with increases in revenue, profit and available cash. The company is targeting £500m of revenues in 2018, and its annual report identifies specific expertise in sports, leisure and civic building development.

We recommend that BCC project team work closely with Buckingham throughout the construction process to monitor construction performance. It should be noted that BCC's own review of Buckingham's financial strength identified it as a low risk.

4.2.2 Operating phase

Operating income risk over the Arena's useful life: Operator income is underpinned by an index linked contract backed by AIL over the first 25 years of operation, insulating BCC from performance risk on the operation of the venue over that period. Income is also received from car parking provision built as part of the Arena development, based on analysis completed by third part consultants CH2M. Post year 25, BCC has a number of options with regard to the Arena building, including agreeing a new operator agreement, managing in house or selling the Arena. Whilst the income in the first 25 years of the project is considered to have limited risk, the cash flows for the remaining 25 years of the forecast asset's life are subject to greater uncertainty. Asking an operator to take risk now for a period beyond this time is unlikely to generate a value for money offer.

BCC project £59.5m of net PWLB debt relating to the Arena still outstanding at the end of the AIL contract. BCC has estimated a market value of the Arena £66.0m at year 25 in its financial forecasts, which it uses to pay down the outstanding net PWLB debt balance at that point of £59.5m as well as the overdraft that has accrued to that point. BCC's figure of £66.0m is based on expected future rental yields, assuming that rental income will grow from year 26 onwards for the remainder of the Arena's useful economic life of 50 years, allowing for a high level life cycle allowance of £10.0m. Whilst these

²⁵ Aecom Bristol Arena PCSA Target Cost Tender Report v0.3

appear reasonable assumptions, there is inherently a high degree of risk associated with any asset valuation in 25 years' time. As such, we consider that the valuation of £66.0m being just 111% of the debt outstanding at the time is significantly higher risk than a commercial investor would take.

BCC could also elect to retain the Arena post the AIL contract and either operate itself or enter into a new operator agreement. Based on the estimated annual rental income implicit within BCC's market value estimate the net cash inflows are also 111% of debt service required to repay the net PWLB £59.5m over years 26 to 50. Again we consider this taking more risk than a commercial investor would take.

Understandably BCC has not made a decision regarding its strategy for monetising the Arena from year 26-50, however we note that under either scenario, rental or sale, the Arena can fully repay the financing required to develop it over its useful economic life although the levels of contingency in these estimates for year 26 to 50 are low.

We also note that BCC has not assumed a capital value for the car parking assets associated with the Arena at year 25 given the uncertainty of predicting long term car parking income streams and ongoing changes to transport and mobility options for Arena attendees.

Operator financial strength: The Background Document overviews the risk associated with the Operator Agreement. SMG and Live Nation are two market leading companies in the live entertainment industry. Overall we consider the risks associated with the operator income as being low or at least mitigated to the extent reasonably deliverable in the market.

Overall, our review suggests that BCC has a credible offer from Buckingham to build the Arena, and limited financial risk over the first 25 years of its operating period. There is cost exposure under the construction agreement to a degree of construction overruns above the current Target Cost.

4.3 Review of the financial case

4.3.1 Funding and financing strategy

The estimated capital cost of the project is met through a combination of £25.9m of BCC funding contribution and PWLB finance entered into by BCC, in addition to the contribution of the land at Temple Island.

Figure 6: Sources and Uses during construction

Sources		Uses	
Capital Funding	15.9	Buckingham Target Cost	122.1
Transport Contribution	1.8	BCC Costs ²⁶	50.4
CIL	8.0	Interest During Construction	3.6
Net operating cash flow during construction	5.2	Temple Island Value	12.5
BCC Revenue Contribution	0.3 ²⁷		
Temple Island Land Contributed	12.5		
Borrowing			
PWLB	145.0		
Total	188.6		188.6

Source: BCC financial projections, 18th May 2018; KPMG analysis

²⁶ BCC Costs include carparking construction, risk contingencies and client side costs. These costs are set out in further detail in the Background Document.

²⁷ Totals may not appear to sum correctly due to rounding.

£53.0m of the PWLB borrowing will be repaid through secure contributions from the LEP, provided over 18 years, who will also meet the cost of interest on the PWLB loans associated with this amount bringing the total LEP revenue contributions to £65.6m (£53.0m capital, £12.6m interest payments). Combined with the £25.9m of BCC capital contribution, and land contribution of £12.5m, this results in £104m of public funding in total. The remaining PWLB borrowing will be repaid through a combination of income received from the Operator over years 1 to 25 of operation, car parking income and the market value of the Arena post year 25.

BCC is also contributing the land at Temple Island, valued by third party advisors at £12.5m based on alternative use for commercial and residential development, representing the opportunity cost to BCC of this land. If the Arena does not proceed as planned at Temple Island, both the land and the capital contributions could be used to fund other priorities as deemed appropriate by BCC.

4.3.2 Net present value of financial cash flows

Measuring the total BCC investment on a nominal basis does not reflect the true cost of that investment as it ignores the time value of money. We have performed a range of NPV calculations in relation to the direct financial cash flows to BCC from the project to assess the value for money case, before considerations of wider social and economic benefits. In doing so, we have assessed three scenarios:

1. The NPV of direct project cash flows and land opportunity cost only over 25 years before any BCC or wider public sector funding sources and before financing provided by BCC. The project cash flows comprise the cost of developing the Arena plus the net operating income that comes directly from the Arena. This represents the value of the direct financial cash flows to public sector as a whole.
2. The NPV of BCC cash flows and land opportunity cost after LEP contribution. This represents the NPV of BCC cash flows, noting that other public sector organisations (i.e. the LEP) will be bearing some of the project costs.
3. The NPV of BCC cash flows after capital contributions – This includes LEP funding and £38.4m of BCC capital contributions (including the land for the Arena), but before PWLB financing costs. This represents the value of any net cash surpluses, noting that BCC has already made commitments to some of the capital funding.

We calculate this NPV using three different discount rates, each which measure something different.

- a) Using the long term cost of borrowing under PWLB. This provides a measure of the affordability of the scheme given BCC has access to long term borrowing at a rate of 2.80%²⁸.
- b) Using a project specific rate of 6.20%, being a proxy of the market rate that we consider applicable to an investment of this risk profile. This is a better measure of the underlying value or subsidy provided to the project once the risk level of the project is taken into account.
- c) Using the rate suggested by the HM Treasury Green book of 3.5% real, which equates to a nominal rate of 5.57% given the 2% inflation assumption made by BCC.

We illustrate the return (IRR) at each level of cash flow in Figure 7 below.

²⁸ 2.8% being an approximation of current long term gilt rates plus 0.8% available under the concessionary rate of PWLB. In reality, gilt rates move on a day to day basis.

Figure 7: NPV summary – BCC base case

NPV of project cash flows (base case)	Project IRR	PWLB (£m)	Project (£m)	HM Treasury Green Book (£m)
Direct Project cash flows	-0.67%	(79.5)	(103.1)	(100.8)
BCC cash flows (after LEP contribution)	1.28%	(34.4)	(73.4)	(68.8)
BCC cash flows after capital contributions	2.82%	0.4	(42.1)	(36.9)

Source: BCC financial projections 18th May 2018; KPMG analysis

After taking into account the LEP and BCC capital and land contributions but before the cost of PWLB finance is taken into account, the Arena generates an investment return of 2.82%. This is slightly higher than the current long term cost of PWLB borrowing (assumed at 2.80%), resulting in the Arena generating a nominal cash surplus for BCC over the 25 year period. The positive net operating surplus suggests that BCC could sculpt the repayment profile of its PWLB loans associated with the Arena to match income received from it and therefore require no annual revenue support in any year of operation, in the base case. In practice the Arena is one of many financing requirements for BCC, with borrowing considered as part of a broader treasury management and debt strategy based on the prevailing market conditions at the time.

Of the capital costs outlined in the report, £12.2m of the costs have already been incurred (including design fees, professional advice and project team costs), per the BCC financial summary (this excludes the land purchase, fully funded by the HCA grant). If BCC takes the decision not to proceed with the Arena, these costs will not be recovered. Whilst an appraisal of the affordability and value for money of the scheme as a whole is useful and an appropriate measure of whether the project should have been undertaken, when considering the decision on whether to proceed from this point forward or not, these sunk costs should be excluded and only costs impacted by the decision considered. We re-state the NPVs below, excluding these sunk costs.

Figure 8: NPV summary – BCC base case (excluding sunk costs)²⁹

NPV of project cash flows (excl. sunk costs)	Project IRR	PWLB (£m)	Project (£m)	HMT Green Book (£m)
Direct Project cash flows	-0.33%	(67.3)	(90.9)	(88.6)
BCC cash flows (after LEP contribution)	1.74%	(22.2)	(61.2)	(56.6)
BCC cash flows after capital contributions	3.50%	12.6	(29.9)	(24.7)

Source: BCC financial projections 18th May 2018; KPMG analysis

We set out in the Background Document the key cash and NPV metrics of the key commercial risks identified in the commercial review.

In summary:

- The project has the potential to deliver annual surpluses in every year of operation, with income exceeding debt service costs, with no revenue funding cost in any year.
- To a large extent this surplus is facilitated by capital contributions from BCC (£25.9m during the construction period) and funding support from the LEP (£65.6m over 18 years).
- The Arena is expected to generate a return before public funding contributions or financing of - 0.67%. After public funding contributions this increases to 2.82%. This is materially lower than our

²⁹ We note that BCC finance team is conducting further work to assess the appropriate treatment of the sunk costs, in the event the Arena did not proceed at Temple Island, in respect of the level of spend set against capital and revenue allowances.

estimate of a market return for an investment of this risk profile demonstrating that the Arena is not a commercially viable proposition without public support.

4.4 Review of the economic case

4.4.1 Summary of KPMG's review of the 2016 economic case for the Arena

In 2013 BCC commissioned AMION Consulting ("AMION") to undertake an interim study to assess the potential economic impact of the proposed Arena, in terms of capital expenditure, GVA, employment and key fiscal impacts associated with any uplift in business rates. This was updated in 2016 for the FBC. As part of the scope of this report we have reviewed the economic case for the Arena on the Temple Island site as presented by AMION.

The AMION 2016 economic assessment, analysed the direct impact of the Arena in terms of:

1. the Arena itself;
2. the wider Temple Island site; and
3. adjacent sites in the BTQEZ where development may be catalysed as a result of the Arena.

In addition, the AMION report also considered the indirect impact that the Arena would have on Bristol and the wider South West region in terms of the wider supply chain and visitor expenditure.

Over a 25 year appraisal period, AMION estimated that the Arena, and wider developments it would catalyse, would deliver a net GVA impact of £729.6m against £94.8m of capital costs, with an impact, in NPV³⁰ terms, of £634.8m and a BCR of 7.7:1.

It should be noted that the assessment of the BCR above does not take full account of the additionality of the project. Specifically it does not factor in the deadweight of the project, i.e. what would happen if the Temple Island Arena is not brought forward on the Temple Island site. When factoring in an alternative development scenario for the Temple Island site if the Arena was not to proceed (the reference case)³¹ AMION's estimated BCR fell to 3.4:1.

As part of KPMG's review of the existing economic case for the Arena, we considered the relevance of the assumptions underpinning the AMION analysis, the data inputs and the overall methodology adopted by AMION. We specifically identified a number of areas in which developments affecting the Arena proposal itself, the Temple Island site and wider BTQEZ as well as external data, affect the outputs assumed in the AMION economic assessment and hence economic impacts. In particular:

- **Arena development costs:** The estimated costs of the Arena development have increased and the Operator position refined, impacting any value for money metrics.
- **Wider Temple Island site:** The University of Bristol has purchased 19,158 sq m of the Temple Island site (i.e. the remaining site that would not be use for the Arena development) impacting the potential for further developments to be catalysed in future by the Arena.
- **Adjacent sites in the BTQEZ:** The former Post Office sorting depot site has been purchased by the University of Bristol. This accounts for 11,250 sq m of the 60,700 sq m of the commercial floorspace available on adjacent sites in the BTQEZ. This also impacts the potential for further developments to be catalysed in future by the Arena.

³⁰ Net Present Value refers to the value of the future costs and benefits of a project, policy or intervention that have been discounted to be presented in today's value.

³¹ In order to assess this, the estimated benefits were compared by AMION to a reference case based on the development on the site it is thought would occur if the Arena was not brought forward. It assumed that, in the absence of an Arena, the Arena Island site would be developed for commercial and residential uses. These would be brought forward over a longer time period (from 2021 onwards).

- **External data:** There have been updates to the external data used in the analysis (e.g. ONS economic multipliers and HCA employment densities).

On the basis of the findings of our review and taking into consideration the developments in relation to the Arena that have occurred since the AMION assessment was undertaken, it is our view that the results presented by AMION are no longer valid.

4.4.2 Summary of KPMG's revised economic impact assessment

Given the issues identified through the review of the AMION economic case, in light of developments in relation to the Arena, since the case was prepared, KPMG conducted a revised economic impact assessment to reflect the developments and to address any other wider issues identified in our review.

We have focused our assessment on the costs and economic impacts associated with the proposed Arena going forward and the value for money of any additional funding required for the project. BCC's decision of whether to proceed with the proposed Arena should be made on the basis of the future costs and benefits of the project, therefore we have not included costs or benefits already incurred / generated in relation to the Temple Island Arena project in our analysis.

The Background Document contains in detail the key inputs, methodological approach, assumptions used in our analysis, and reasoning for how this may differ from the approach taken by AMION.

Our revised analysis covers the economic impacts in terms of:

- the construction phase of the Arena;
- the operation of the Arena, including the supply chain (indirect) impacts and induced impacts;
- visitor spending in Bristol; and
- the potential wider developments on adjacent sites that may be catalysed by the Arena.

We have assessed the economic impact over a 25 year period.

Our review of the economic case and revised estimates of the economic impact take into account the additionality of impacts in terms of the displacement of other activity in Bristol and the leakage of benefits outside of the West of England. Our estimates do not, however, take into account the deadweight, i.e. what would happen if the Arena did not come forward on Temple Island. On this basis our analysis, in NPV terms, indicates that:

- The construction of the Arena could generate an estimated £107.3m of temporary GVA and 141 annual FTE jobs (in net terms) over the construction period.
- The operation of the Arena, and the wider spending of Arena attendees linked to their visit, could generate an estimated £387.1m of GVA and 615 FTE jobs (in net terms) over a 25 year period.
- The extent to which the Arena may catalyse wider developments on adjacent sites is diminished as a result of the University of Bristol and Temple Meads Station developments. However, BCC stakeholders have suggested that 2,110 sq m of the remaining adjacent sites may be catalysed by the Arena.³² If these sites are developed, it would generate an additional estimated £2.2m in net

³² We note that it is possible that the plans for the Arena have already facilitated developments across the Temple Quarter by providing developers with the confidence to invest in the site. However, our study is forward looking and has, therefore, not assessed the extent or the scale to which this has occurred.

GVA per year in present value terms from the development of these sites coming forward at a faster pace as result of the Arena.

- Based on BCC’s estimates, £8.8m in business rates could be generated over the 25 year lease period.

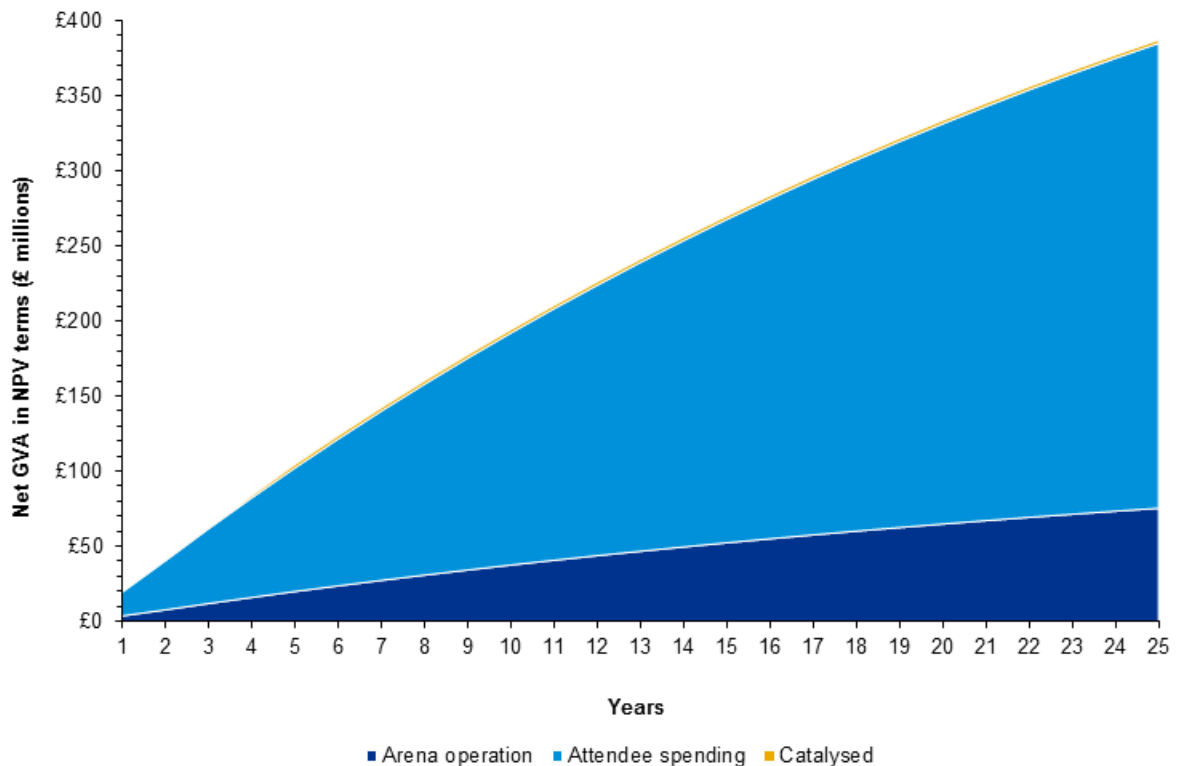
Figure 9: Net GVA and employment, in NPV terms, over 25 years³³

		25 year
GVA	Arena operation	£75.4m
	Attendee spending	£309.5m
	Catalysed development	£2.2m
	Total	£387.1m
Employment	Arena operation	210
	Attendee spending	405
	Catalysed development	46
	Total	660

Source: KPMG analysis

It is expected that the economic impact will increase on a year-on-year basis for the first 3 years as the Arena Operator “ramps up” activity. Figure 10 below sets out the cumulative net economic impact in NPV terms over the first 25 years of operation.

Figure 10: Cumulative net GVA impacts (in NPV terms) associated with Arena over 25 years



Source: KPMG analysis

³³ Totals may not sum due to rounding.

4.4.3 Summary of KPMG’s review of AMION’s assessment of social impacts associated with the Arena

In addition to the economic impacts, we have also reviewed the assessment of potential social impacts which could be generated through the construction and operation of the Temple Island Arena.

In its 2016 review, AMION set out a number of possible wider benefits that could arise through the Arena development. The social impacts identified by AMION were centred on five core themes:³⁴

1. perception, image and city profile;
2. local business impacts;
3. attraction of visitors;
4. quality of life; and
5. capacity and skills.

We note that AMION’s assessment of the wider social benefits was wholly qualitative and did not attempt to monetise any of the benefits. Furthermore AMION’s assessment of social impacts does not reference or provide detailed evidence to support its findings and did not indicate the specific activities that would, beside the construction of the Arena, create the outcomes it presented. Given this, we consider that there remain significant gaps in the evidence base in relation to potential social impacts of the Arena and insufficient evidence from the AMION assessment to understand the full socio-economic impacts of the proposed development.

4.4.4 Summary of KPMG’s social impact assessment

Given the gaps identified in the existing assessment of potential social impacts of the Arena, KPMG reviewed available evidence in this area, drawing on the proposals and agreements with the Arena contractor and operator, views expressed in stakeholder interviews and wider evidence from relevant academic studies and broader literature.

Our assessment considers social impacts arising through: the construction of the Arena; the general operation and activities of the Arena; and the broader cultural impact.

Our approach to assessing the social impact of the Arena draws on guidance set out in the SROI Network’s ‘A guide to Social Return on Investment’³⁵. This includes adopting an “impact mapping” approach to identify, for both the contractor and operator, the main inputs and activities (for example donations and access to facilities); the associated outputs and outcomes; and resultant the socio-economic impacts for the beneficiaries and the wider community.

Summary of social impacts generated through the construction of the Arena

We have considered the social impacts that may be generated through the inputs and activities of the contractor; Buckingham, both leading up to and during the construction of the Arena.

We found that:

- In terms of the planned inputs and activities we found that Buckingham is collaborating with BCC and other local stakeholders, such as Job Centre Plus, to finalise targets in a number of areas including recruitment of local people within a specific radius; training and apprenticeships for local people, and the estimated project expenditure within the local community through the donation of

³⁴ AMION consulting (2016) Bristol Arena –Economic Appraisal – Revised Draft

³⁵ Cabinet Office. 2012. ‘A guide to Social Return on Investment’. See:

https://www.bond.org.uk/data/files/Cabinet_office_A_guide_to_Social_Return_on_Investment.pdf

staff and management time, direct cash investment and gifts in kind³⁶. We understand that the employment, skills and community targets form binding contractual undertakings.

- These activities are likely to contribute toward positive social outcomes and impacts, for example, increased employment, increased wages and reduced likelihood of entering into unemployment³⁷.
- However, the scale of outcomes and impacts is dependent on the finalised targets that will be set for each of the inputs and activities as well as the nature of community support activities and the specific community initiatives engaged with.

Given that the targets have not been finalised and that the Buckingham Employment and Skills Plan is still in development, it is not possible to quantify the potential impacts at this stage.

Our assessment also considers the broader social impacts associated with the construction of the Arena. We note that the proposed Arena would contribute toward the regeneration of a large brownfield site in the Temple Meads Quarter of Bristol. The impacts associated with this are linked to the revitalisation of the area public realm improvements and transformation of the site to create safe public spaces and pathways. While the economic impacts associated with this are captured in the analysis, linked to economic use of the site and the attraction of visitors, the wider social impacts are less tangible and not possible to assess in monetary terms.

Summary of social impacts generated through the operation and activities of the Arena

The main inputs and activities associated with the operation of the Arena, that may generate social impacts are linked to the staging of events as well as broader community engagement activities the Arena Operator may undertake.

We found that:

- The Arena Operator has estimated that the Arena will host approximately 600,000 attendees per year. As a proportion of these attendees will be from outside of the Bristol area, and possibly outside of the West of England, there could be wider impacts associated with the Arena attracting increased visitors to Bristol and raising the profile of the City. The impacts arising from the spending of these visitors in the local area is captured in our economic case analysis.
- The Arena will deliver an enhanced corporate hospitality offering in Bristol a venue suitable for events such as awards ceremonies. In stakeholder interviews with BCC and Destination Bristol it was suggested that this could yield socio-economic impacts through raising the profile of Bristol both nationally and internationally and attracting more visitors to Bristol.
- As part of its bid for the contract, the Arena Operator as, submitted a number of examples of how it could engage with the local community. The operator proposed a multi-faceted approach to community engagement which could involve³⁸: providing direct financial support for local projects; mutual fundraising; resident only events and priority tickets; and the fostering of local arts and enterprises.
- If the example community engagement activities suggested by the operator are put in place in Bristol, it is possible that they will generate social impacts, for example, in terms of helping to improve community cohesion, social inclusion and could create social value. However, it will depend on factors including the specific activities undertaken, the number of individuals participating/ benefitting and the projects supported. No evidence was available in relation to the specific outcomes and impacts achieved in other locations where similar initiatives have been implemented by the operator. In agreement with the Operator, community activities not promoted

³⁶ Buckingham Group Contracting Limited (2017) Employment and Skills Plan (ESP) for Bristol Arena (revised March 2018).

³⁷ Our analysis of the economic impacts captures the GVA and employment associated with construction of the Arena. This analysis provides a quantitative assessment of the potential impact of the policies concerning the recruitment of local people and the use of local suppliers.

³⁸ SMG and Live Nation (2016) Appendix E Approach Statements.

by the Operator can take place at the Arena, however, these activities may have to be funded by other parties.

In terms of the scale of social impacts that could be realised, the lack of detail about the activities and availability of evidence means that it is not possible to quantify and monetise them. We note that to the extent to which there are broader improvements to the visitor economy, e.g. from repeat visits to Bristol or through the enhanced profile of the City, additional socio-economic impacts could be realised. At this stage, a lack of evidence means that it is not possible to forecast the potential change in visitor numbers (beyond Arena attendees) arising from the Arena's operation. We also note that at this stage the Arena Operator is not contractually committed to undertake community engagement activities and no details of specific activities, or targets, have been agreed informally. We understand from BCC that when tendering for an Arena Operator and agreeing contractual terms a decision was made not to place contractual obligations on an operator to provide community engagement activities but instead to maximise operator rental income.

Summary of the social cultural impacts of an Arena

We also assessed the extent to which evidence suggests that an arena could have the potential to have a positive impact on the overall cultural offering of Bristol to the benefit of the local communities.

We found that:

- Evidence suggests that culture has both an intrinsic and social value and that engaging and participating in cultural activities can increase overall satisfaction and have a positive impact on personal wellbeing³⁹. Furthermore, engaging in culture can have wider social benefits in terms of health, education and community. Many studies have shown that the arts can have a positive impact on a person's health, both physical and mental wellbeing^{40,41}.
- Links between arts and culture⁴² and community outcomes have also been identified empirically in some studies. Participation in arts and culture has been found to have a positive relationship with social capital. It has been found that those who participate in arts-related activities have greater social interaction, self-esteem and more well-developed social relationships and networks. Furthermore, studies have found that cultural participation can contribute to community cohesion, civic pride and increase social inclusion, overall making communities safer and stronger⁴³.
- It is also thought that participation in arts and culture can improve the educational attainment of children and young people. It has been found that participation in arts activities can be linked to improvements in young people's cognitive abilities and transferable skills⁴⁴. Other studies have found that engaging with arts and culture from a young age is associated with higher academic attainment and greater skills proficiency⁴⁵. In the long-term participation in arts and cultural activities can increase the likelihood of a young person entering further and higher education.⁴⁶

An arena will provide local communities and individuals access to a wider variety of cultural events than currently available in Bristol, including live music acts, musicals and theatre, family events and conferences and exhibitions. This access could promote the large range of positive benefits noted above that people and communities can experience as result of engaging with cultural activities.

³⁹ Department for Culture Media & Sport (2014) Quantifying and Valuing the Wellbeing Impacts of Culture and Sport.

⁴⁰ Taylor et al (2015) A review of the Social Impacts of Culture and Sport

⁴¹ Staricoff, R.L. (2004) Arts in Health: a review of medical literature.

⁴² Culture has been broadly defined, and includes activities registered on the Taking Part list which defines activities for the National Survey of Culture, Leisure and Sport. Engagement in culture is defined as attendance at cultural events/ sites. These include attending a heritage site, attending an arts event and attending a museum, library or archive.

⁴³ National Statistics (2009) People and culture in Scotland: Results from the Scottish Household Survey Culture and Sport Module 2007/2008.

⁴⁴ Newman et al (2010) Understanding the impact of engagement in culture and sport, a systematic review of the learning impacts for young people. CASE, DCMS.

⁴⁵ Newman et al (2010) Understanding the impact of engagement in culture and sport, a systematic review of the learning impacts for young people. CASE, DCMS and Vaughn et al (2011) Bridging the Gap in School Achievement through the Arts.

⁴⁶ Department for Culture, Media & Sport (2015) Further analysis to value the health and educational benefits of sports and culture.

However, we note that a range of these broader social impacts could be realised, in part dependent on the nature of arts and culture events staged at the Arena as well as the audiences reached.

4.5 Value for Money conclusions

Value for Money is at its core, an assessment of the optimal use of resources to achieve the intended outcomes. When undertaking a VfM assessment, the National Audit Office (NAO) uses three main criteria^{47,48}:

- economy – minimising the cost or quantity of required resources;
- efficiency – in the flow from inputs to the resulting outputs; and
- effectiveness – ensuring the actual results from public spending are as intended.

The BCR provides an indication of the total value for money that the Arena project would deliver. Using cost information provided by BCC and our updated analysis of the economic impacts associated with the Arena, we have estimated the economic impacts associated with the Arena, in NPV terms and the resultant BCR:

- Over a 25 year appraisal period, we estimate the economic NPV of the Arena is £282.6m, with a BCR of 3.2:1.

Our BCR and economic NPV estimates only capture the economic benefits from the ongoing operation of the Arena.

In addition, there are likely to be a range of social impacts associated with the Arena development through the construction and operational phases. While there is insufficient information available at present in terms of the outputs that could be delivered, and uncertainties about their realisation given the lack of contractual obligations on the Arena Operator, it is important that they are considered as part of the overall BCR of the project. Any positive social impacts that arise would improve the estimated BCR and economic NPV values and therefore, the value for money of the project.

In net terms, the direct, indirect and induced impact of the operation of the Temple Island Arena, wider spending of attendees and catalytic development could generate Net Present Value (NPV) of Gross Value Added (GVA) of approximately £387.1m and up to 660 Full Time Equivalent (FTE) jobs in the West of England over 25 years. This provides justification for the use of public money for a lower than commercial rate of return.

While the overall BCR of the Arena project is positive over 25 years, to better understand Value for Money it is helpful to compare this against benchmarks and against alternative schemes to understand whether benefits against costs are being maximised.

In terms of other benchmarks against which the estimated BCR for the proposed Arena can be assessed, we are not aware of any detailed estimates for similar schemes. Furthermore, there is no government guidance about expected levels of the BCR for such capital developments, although the WebTAG guidance⁴⁹ details BCR benchmarks for the assessment of the value for money of transport projects. Using these benchmarks, the BCR of the Temple Island Arena would be considered 'High' over a 25 year period. The very different nature of transport schemes should be taken in to account, however, when considering the relevance of these thresholds for value for money.

The VfM assessment of the Arena extends beyond consideration of the BCR. Whilst the upfront cost is greater than the current budget of £123.5m, with appropriate financial structuring, the project income will still meet the costs of the project in every year of operation. Based on current assumptions, the

⁴⁷ <https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/>

⁴⁸ In some cases, equity is also considered as a fourth criteria of VfM assessments.

⁴⁹ Department for Transport (2015) Value for Money Framework: Moving Britain Ahead.

project is forecast to deliver a total surplus over the life of the project of £1.3m. There is risk associated with income projected in the later 25 years of the asset's life, given the operator agreement is 25 years long, but our sensitivity analysis indicates this does not materially alter this conclusion. Aecom has indicated that it believes the Target Cost estimate is robust and the risks associated with construction can be managed.

In order to comprehensively assess the value for money and the option to develop the Arena on the Temple Island site, there is a need to better consider:

1. Alternative developments that could be delivered on the Temple Island site and their value for money. This forms the reference case against which the Arena on the existing site should be compared. Any potential alternative developments on the Temple Island site should be assessed to consider the wider strategic and economic development opportunities, including consideration of:
 - an assessment of the strategic case an alternative development at Temple Island, and how this may compare to the strategic case for an arena on Temple Island;
 - the key financial and deliverable risks of the alternative development proposal;
 - the potential economic impact that may be generated through an alternative development; and
 - any public sector investment that may be required to bring forward an alternative development at Temple Island, including an assessment of the overall value for money of any proposed alternatives.
2. The alternative arena proposal for Bristol at Filton brought forward by YTL. An arena at Filton should be assessed in accordance with the five cases model⁵⁰, including consideration of:
 - how this proposal may weaken the rationale for public intervention and funding and the strategic case for the Arena on Temple Island;
 - the extent to which an arena at Filton could achieve BCC's objectives for the Arena, as well as contribute towards wider City and regional objectives;
 - the key financial and deliverability risks for the Arena at Filton, including consideration of the commercial readiness of the proposal; and
 - an assessment of the potential economic case of the Filton Arena, and how this may compare against the Arena at Temple Island.

While these assessments do not form part of the scope of this report, they are being considered within KPMG's others reports to BCC.

⁵⁰ HM Treasury (2013) Public sector business cases: Using the five case model. Green Book supplementary guidance on delivering public value from spending proposals.

5 Recommendations

Whilst the strategic and economic case for an arena is well established, given the changes since the business case was approved we recommend the following additional steps are taken before a decision to proceed with the Arena is made:

1. A review is undertaken of the alternative proposal of an arena in the Brabazon Hangar, including its ability to provide comparable social and economic benefit and its commercial deliverability. This review has now been completed and our findings are provided in our report entitled 'Assessment of alternative plans for an arena in Bristol'.
2. Given the changing use of the wider Temple Island site and competing development plans for the site, in part catalysed by the intended development of a portion of the site by the University of Bristol, the potential alternative uses of the Temple Island site should be fully explored so that the Value for Money conclusion fully reflects the opportunity cost of using the site for an arena. This review has now been completed and our findings are provided in our report entitled 'Assessment of alternative development plans for the Temple Island site.'
3. The links between the Arena, its location and a wider City plan for infrastructure development and need is further strengthened.

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Temple Island Arena: Value for Money Assessment – Background Document

**A KPMG report for Bristol
City Council**

June 2018

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1. Review of the strategic case for the Temple Island Arena

1.1 Stated objectives of the Arena

The feasibility study for the Temple Island Arena set out a vision for the delivery of the Arena¹:

“The delivery of an arena for Bristol on the Temple Quarter site, acting as a major catalyst and economic driver for the new Enterprise Zone. The arena should be commercially driven, delivered quickly and on budget, and be sustainable at no on-going revenue cost to the Council and its partners.”

This vision was set out in the Outline Business Case (OBC) for the Arena, dated November 2013². This OBC also detailed key objectives for the project, stating that these were the factors against which success of the project would be determined. The objectives were expressed in relation to two aspects of the arena; the experience and the building.

The Full Business Case (FBC), submitted to the West of England Local Enterprise Partnership (LEP) in April 2016, largely re-stated these objectives, with some amendments as highlighted in purple in Figure 1 below.

Figure 1: Comparison of the Arena’s objective in the OBC and the FBC

	OBC objectives	FBC objectives
The Temple Island Arena Experience will:	<ul style="list-style-type: none"> — Create a “return again” experience for its customers. — Provide a vibrant “Bristol Experience” for visitors, which makes our arena different from others. — Be at the forefront of arena programming and content. — Provide excellent transport links to match public expectations. — Provide safe and secure parking within 15 minutes distance for when public transport is not an option, providing an option of rapid transit from park and ride sites where appropriate. — Provide the Council and the public with opportunities to use the facility via a number of community events (subject to cost considerations). 	<ul style="list-style-type: none"> — Create a “return again” experience for its customers. — Provide a vibrant “Bristol Experience” for visitors to make our area different from others. — Be at the forefront of arena programming and content. — Provide appropriate transport links to match public expectations. — Provide safe and secure parking when public transport is not an option, providing an option of rapid transit from park and ride sites where appropriate for large scale events. — Whenever possible and through working with the operator, provide the Council and the public with opportunities to use the facility via a number of community events (subject to cost considerations).
The Temple Island Arena building will:	<ul style="list-style-type: none"> — Have a capacity of 12,000 with 10,000 seated (subject to the outcome of the business case). — Be flexible enough in design to be future-proofed for changes in the entertainment market and to meet Bristol’s expectations. — Be flexible enough to accommodate a wide range of content, including 	<ul style="list-style-type: none"> — Be flexible enough in design to be future-proofed for changes in the entertainment market and to meet Bristol’s expectations. — Be flexible enough to accommodate and wider range of content, including music concerts, family entertainment shows, sports and other events.

¹ Davis Langdon, An AECOM Company and IPW... (2012) Bristol Arena Stage 1 Feasibility Report.

² Davis Langdon, An AECOM Company and IPW... (2013) Bristol Arena Outline Business Case: Final Report November 2012.

	<ul style="list-style-type: none"> music concerts, family entertainment shows, sports and other events (temporary events subject to outcome of this business case). — Be delivered to budget and to a quality set out in the Employers Requirements. — Be special, of a good quality, with an outstanding level of environmental performance. — Be able to offer a themed usage, for example Circus. — Be accessible to all and comply with the Bristol Access Standard. — Be designed in a way that complements the requirements of the Planning Authority, so that Planning Permission can be obtained. — Have very little car parking on site, probably only disabled bays with some staff/VIP parking. — Provide suitable acoustic controls for noise entering and leaving the building. — Provide HGV parking only in/ adjacent to the Service Yard. 	<ul style="list-style-type: none"> — Be delivered to budget and to a quality set out in the Employers Requirements. — Be special, of a good quality, with an outstanding level of environmental performance. — Provide a key piece of cultural infrastructure to enable pathways for progression for artists and performers. — Be accessible and meet the latest access requirements.
The Arena will:	<ul style="list-style-type: none"> — Have a public realm interface with the rest of the site, which encourages visitors and creates a “destination” experience for “Arena Island”. — Assist in making the Bristol Temple Quarter Enterprise Zone (BTQEZ) and Railway Station more accessible. 	<ul style="list-style-type: none"> — Raise the profile of the City on the national and international stage. — Have a public realm interface with the rest of the site, which encourages visitors and creates a “destination” experience for “Arena Island”. — Deliver jobs to the community during the construction period and then operational period. — Assist in making the BTQEZ more accessible and drive improvements permeability to the south of Temple Meads station.

Source: KPMG review of Davis Langdon, An AECOM Company and IPW... (2013) Bristol Arena Outline Business Case: Final Report November 2012 and Bristol City Council (2016) Bristol Arena Full Business Case.

As far as we understand, the objectives outlined in the FBC remain the agreed stated objectives for the arena experience and building. In addition to the objectives set out in the OBC and FBC, a set of KPIs for the Temple Island Arena were presented in the Buckingham Group Contracting Limited (“Buckingham”) tender document for the construction of the project and the Employment and Skills Plan was updated by Buckingham in March 2018. The revised KPIs are presented in Figure 2 below.

Figure 2: Bristol City Council actions and key performance indicators relating to the Arena

Key performance indicators (KPIs)

During the construction of the Arena the following skills and employment targets will be secured:

- 1 supply chain training or support initiative per month;
- a certain volume of business placed with local suppliers (as yet undetermined);
- 50% labour from the West of England, including 25% from Bristol (BS1 to BS16)³;
- 45 to 50 apprenticeships, of which 15-20 are from BCC priority groups;
- 50 work placements to be offered;
- 10 graduate placements offered for new job starts;

³ It should be noted that the level of local labour proposed in the updated Buckingham Employment and Skills Plan from March 2018 is lower than originally proposed in Buckingham’s tender document. The original tender document proposed 75% of labour from the West of England, including 50% from Bristol (BS1 to BS16).

- 250 person weeks of training; and
- commitment to deliver three events or initiatives per month, covering:
 - local pupil interactions with arena construction;
 - job and training opportunities for care leavers and young people in care;
 - recruitment for the long-term unemployed and those Not in Education, Employment or Training (NEET);
 - opportunities for those from groups traditionally underrepresented in the construction sector⁴; and
 - community initiatives.

Source: Buckingham Group Contracting (2017) Quality Commitment Question No.2 Employment and Training (revised March 2018).

The Bristol City Council (BCC) Corporate Strategy 2017-2022⁵ (“the Strategy”) outlined additional commitments in relation to the Arena. Specifically the Strategy notes that “plans for an arena are key” to fulfilling the commitment for Bristol to be “a leading cultural city, making culture and sport accessible to all”. Within the Strategy, the arena is highlighted as an area for future investment which would help to grow Bristol’s economy. BCC included “ensuring the Arena is completed and is accessible to all communities” as a strategic objective for the next 5 years.

We note that the latest BCC Corporate Strategy 2018-2023⁶ does not specifically mention the Arena as a key objective for BCC. The Arena, however, could be expected to contribute towards BCC’s commitment to “keep Bristol a leading cultural city, helping make culture, sport and play accessible to all”⁷.

1.2 Strategic case review

1.2.1 Assessment of the existing strategic case for the Arena

For the purposes of our assessment we have considered the strategic case put forward in the Bristol City Council (2016) Bristol Arena Full Business Case (FBC) document, as this is the most recent version of the strategic case and therefore the most relevant for consideration as part of our review.

Our assessment of the strategic case is set out in Figure 3 below.

⁴ Identified as women, people from Black and Minority Ethnic (BME) communities and people with learning difficulties and/ or disabilities.

⁵ Bristol City Council (2017) Corporate Strategy 2017-2022.

⁶ Bristol City Council (2017) Corporate Strategy 2018-2023.

⁷ Bristol City Council (2017) Corporate Strategy 2018-2023.

Figure 3: Review of the existing strategic case for the Arena project

Strategic area as stated in the Bristol Arena FBC	BCC's strategic assessment as stated in the arena FBC	KPMG strategic assessment
1 Creating places where people want to live and work	Development of the Arena will unlock the remainder of Temple Island for housing, employment and other uses and facilitate the delivery of broadband and district heating networks onto the site.	<p>Since the business case was published, the remainder of the Temple Island site has been purchased for development by the University of Bristol. Therefore, the arena itself will no longer deliver any wider development on the Temple Island site. However, the arena itself will attract people to the Temple Island site and provide some employment opportunities.</p> <p>The Temple Island site will need to be connected to the local broadband network, meaning the arena, coupled with the University development will facilitate the delivery of broadband to the site.</p> <p>The Arena will also facilitate the delivery of district heating network on to the Temple Island site.</p> <p>The Arena will also support the business case for the development of other surrounding infrastructure, such as a southern access road. This infrastructure will increase the accessibility of the Temple Island site, benefiting the University of Bristol development.</p>
2 Ensuring a resilient, low carbon economy that operates within environmental limits and which is resource efficient.	The arena will be developed to high sustainability standards, benefiting from a BREEAM ⁸ target rating of Excellent, and bring permanent uses back to a site that has lain derelict for over 15 years.	<p>The design of the arena is achieving a 'Very Good' BREEAM rating as a result of changes to the arena design aimed at reducing construction cost. The arena has been designed in accordance with local planning policy, which has dictated significant carbon reduction measures for the arena. These measures exceed those of normal planning policy and the BREEAM 'Very Good' standard. These measures will go some way to minimise the environmental impact of the arena building, the development of the arena and its ongoing operation will generate a negative environmental impact (as would any development on this site). These efforts to minimise the impact will help to ensure that a sustainable, efficient outcome is achieved.</p>

⁸ BREEAM stands for Building Research Establishment Environmental Assessment Method. It is a sustainability assessment method used in the planning of project, infrastructure and buildings, which evaluates the procurement, design, construction and operation of a development against performance benchmarks.

		<p>The Arena will be developed on a currently derelict site which will help improve the local environment and will improve the utilisation of the site. It is unclear, however, how this in itself will contribute toward ensuring a resilient, low carbon economy.</p>
<p>3 Providing the local workforce with job opportunities.</p>	<p>The Arena will enable or support the creation of almost 5,400 gross full-time equivalent (FTE) jobs across the West of England economy. The project will seek to build on work carried out to date to identify pathways for local people to develop careers in creative industries and put the support in place to enable them to do so.</p>	<p>Our updated economic assessment estimates that net 660 FTE jobs would be created across the West of England as a result of the arena (see Section 4.2 for further details).</p> <p>The Arena will generate 37 direct FTE jobs which will be involved in the day-to-day operations of the arena. The Arena will also directly generate additional employment on show days as security and service staff are required at events. In general the majority of these additional jobs created will likely be part-time.</p> <p>The Arena Operator – Arena Island Limited (“AIL”) has proposed that it will help in targeting unemployment and aims to fill 20% of employment opportunities from the local area⁹. The operator has also stated that it intends to explore potential work programmes, such as apprenticeships and NVQ programmes.</p> <p>At present there is little evidence that the project would help identify pathways for local people to develop careers in creative industries or support these. It may be the case there are some minor spillover impacts associated with the arena playing a role in supporting Bristol to become a leading cultural city. Through conversation with BCC it is understood that there is the intention to work with Bristol Music Trust and the Bristol Music Network to provide support local people develop careers in the creative industries. However, at present these pathways and support mechanisms have not been defined and it is unknown what form they will take, or the likely impact of any support.</p>

⁹ Bristol City Council (2015) Bristol Arena Local Impact Programme – Operation.

4 Creating the right conditions for businesses to thrive, by giving confidence and certainty to investors.

The Arena will give confidence and certainty to investors in Bristol and the West of England area in the BCC's ability to deliver large scale infrastructure programmes and by doing so stimulate wider development and infrastructure provision.

Development of the arena will support BCC's commitment to remain a leading cultural city. It will help to enhance the place based offer of the City, which in turn should help to attract residents and visitors to the area with consequent business benefits.

Taking forward the development of the arena will help to alleviate the uncertainty around the future development of the Temple Island site within the wider BTQEZ. This may act as a signal to investors encouraging wider private sector development where this would be commercially viable. Any clear plans for alternative schemes on the site could also help to achieve this.

Stakeholders related to the enterprise zone have indicated that commitment to an arena has already helped to catalyse development in the BTQEZ, by giving developers the confidence to invest in the zone.

In addition, BCC believes that the arena will help open up access to the BTQEZ from the south with the additional transport infrastructure that will be built around it.

During our consultation with stakeholders, we found that going forward stakeholders considered that the arena will have a limited impact on wider additional development, and that other key developments in the area, such as the new University of Bristol campus, will be a greater attraction for investment into the BTQEZ.

5 Ensuring that all our communities share in the prosperity, health and well-being and reduce the inequality gap.

The Arena will create a public facility and job opportunities available to all.

Although the Arena will be a publicly owned asset, it will be operated privately. The degree to which the public will be able to access facilities at the arena or use community space within the arena will depend on the Arena Operator. At present, we have seen no formal plans presented for community programmes at the arena such as discounted ticket prices or open community space within the Arena, nor are there any contractual obligations on the operator to provide these.

The arena will create jobs in the local economy, facilitated through the operation of the arena and the increased number of visitors travelling to Bristol to attend events. This increased employment and economic activity is likely to benefit the City as a whole.

		<p>Job opportunities are likely to arise in the retail and leisure sectors requiring, in general, low skill levels.</p> <p>The contractor, Buckingham, has committed to aim to have 50% of its workforce from the West of England, with 25% from Bristol¹⁰. These will be temporary jobs through the construction of the arena. The arena operator has stated that it aims to recruit 20% of its workforce from the local area¹¹.</p> <p>Furthermore, during our consultation with stakeholders it was noted that the arena could improve access to the South of Bristol. We have been told by BCC that these areas directly south of the Temple Island site are relatively deprived and therefore improved access to the City Centre and key economic zones and transport facilities may improve quality of life for the residents in these areas.</p>
<p>6 Contribution to the Strategic Economic Plan ("SEP") Place and Infrastructure lever of growth.</p>	<p>Commitment from the West of England LEP at the OBC stage has raised confidence in the ability to unlock sites in the BTQEZ and deliver key infrastructure required to secure their development; for example the development of the arena formed a strong part of BCC's successful case to Government to facilitate the transfer of Temple Island site into its ownership. In turn this facilitated the purchase of the Cattle Market Road site between Temple Island and Temple Meads Station.</p> <p>Investment in the arena will drive the delivery of key infrastructure and help unlock these sites, as well as others.</p>	<p>As commented above in strategic area 4, although there appears to be some evidence that the Arena has played a role in the contribution to the SEP's Place and Infrastructure lever of growth previously, going forward based on stakeholder views, we consider that there are likely to be other developments (e.g. the University of Bristol developments and plans for Temple Meads station) that will have a greater leverage in terms of key infrastructure and the unlocking of sites around the BTQEZ.</p> <p>The Arena itself will contribute towards the place based development of the City, however. It will also add to economic output in terms of Gross Value Added (GVA) and employment both through the construction phase and ongoing operation of the arena.</p>
<p>7 Support growth and the future development of the LEP/SEP's priority economic sectors.</p>	<p>The arena will support growth and the development of the creative and digital media sector in Bristol, as well as others and the West of England economy overall.</p>	<p>The Arena will fill the existing gap in Bristol's cultural infrastructure. Culture can be an important factor in the level of quality of life within an area, and access to cultural infrastructure can have wide ranging social</p>

¹⁰ Buckingham Group Contracting (2017) Quality Commitment Question No 2 Employment and Training (revised March 2018).

¹¹ As set out in the Draft Local Impact report compiled by Arena Island Ltd. and shared with KPMG by BCC.

The SEP acknowledges that the West of England has well-embedded sector specialisms that thrive on the exceptional quality of life that the area offers. Developing this quality of life further is a critical element of the SEP, to support delivery of the LEP's growth targets.

The Arena will deliver a "cultural attraction that [is] the envy of competitor city regions across Europe, making the West of England the place of choice for talented, creative workers and affluent visitors", a component of the LEP's vision for the area.

benefits¹². As a result, culture can be a factor in an individual's or a firm's decision to live or locate in a particular place. A strong cultural offering is likely to make Bristol a more attractive place to live and work. In addition, the arena will expand the corporate hospitality offerings in Bristol, which may also factor into a firm's decision to locate in Bristol.

The Arena is likely to complement the existing creative and digital media sectors in Bristol. There will likely be some digital and creative jobs supported in the wider supply chain as a result of the arena. Events at the arena will require specialists from the creative and digital media sectors, such as light and sound engineers. However, based on evidence given to us by the Arena Operator, there are no plans to have these roles in-house.

In addition, through our consultation with Destination Bristol it is thought that the arena will increase the attractiveness of the BTQEZ as a potential location for firms, especially those in the creative and digital media sectors. However, it is unlikely that the arena will be a key factor in a firm's location decisions.

8 Maximise benefits from other public investment in infrastructure led or supported by the LEP.

The Arena could help maximise the benefits from other public-sector led infrastructure investments in the area. For example, it is complimentary to the bridging across the River Avon funded by the Homes and Communities Agency (HCA¹³) and the LEP's Revolving Infrastructure Fund. It also complements improvements funded by the same through the Temple Greenways initiative, which will open up the harbourside access from Temple Quay to Cattle Market Road.

Visitors to the arena will also benefit from the current investment in transport, including the electrification of the railway and suburban rail and bus rapid transit schemes.

By regenerating the Temple Island site, the arena could widen the area that benefits from the public-sector led investments identified, and therefore maximise any associated benefits. However, this would also be the case with any alternative development on the Temple Island site.

Since the business case was published, the redevelopment of Temple Meads station has moved forward. Network Rail has been undertaking a planning exercise for the redevelopment. These plans are going forward in the absence of the arena, and therefore cannot be directly attributed to the arena development as a catalyst for the redevelopment of the station.

¹² Department for Culture, Media and Sport (2016) The Culture White Paper.

¹³ Homes and Communities Agency is now Homes England

	<p>The arena as a destination will also provide a pull to footfall that drives improvements to the north-south connectivity on either side of Temple Meads station, and as a result adds further weight to calls by the LEP for Government investment in redeveloping the station complex.</p>	<p>However, it should be noted that any changes in the arena plans may inform Network Rail's masterplanning for an eastern entrance to Temple Meads station, which is currently intended to link up to the arena¹⁴.</p> <p>As noted in the FBC, visitors to the arena are likely to benefit from the current investment in transport. However, the extent of this benefit will depend on the travel modes of visitors to the arena and the availability of services around the time of events, particularly in the late evening after performances.</p>
<p>9 Contribution to the vision of Bristol become a "truly world class city".</p>	<p>The Mayor of Bristol's vision for the City recognises that there is a "current lack of some major facilities, most notably a large events arena is a deficit that needs to be overcome if Bristol is to be seen as a truly world class city". The vision commits to building that Temple Arena in the BTQEZ.</p> <p>The construction of the arena will also contribute to a further mayoral objective, that of "driving the development of the BTQEZ to create a new and vibrant place around Temple Meads Station" by contributing directly to the development of leisure facilities and spurring that of homes and business space.</p>	<p>The vision set out in the FBC is that of the former Mayor of Bristol. In May 2017 a new Mayor was elected.</p> <p>The arena will deliver both the old and current mayoral vision of a major events facilities and will fill this current gap in Bristol and the wider West of England region. It will meet the BCC stated commitments of delivering an arena and contribute toward the aim of keeping Bristol a leading cultural city.</p> <p>The arena is likely to help facilitate a degree of leisure development on the adjacent sites and the BTQEZ, as the attendees to events at the arena are likely to spend on food and drink before and after events. However, the overall catalytic impact of the arena on wider sites and the BTQEZ is likely to be limited going forward and has been diminished by with the University of Bristol purchasing part of the Temple Island site, because the University's presence will catalyse much of this benefit without the need for an Arena.</p>
<p>10 Contribute to the delivery of planning policy objectives in the Bristol Core Strategy.</p> <p>The 11 strategic objectives which make up the Core Strategy¹⁵ are:</p>	<p>The AMION report states that the arena will contribute to the delivery of planning policy objectives by confirming Bristol "as the foremost entertainment centre in the South West". It will contribute to enhancing the City's cultural and</p>	<p>The Temple Island Arena has the potential to contribute towards a number of the policy objectives set out in the Bristol Core Strategy. Namely, the arena could contribute towards the Strategy's aim to grow the City</p>

¹⁴ Network Rail (2017) Delivering a better railway for a better Britain: Network specification 2017 Western.

¹⁵ Bristol City Council (2011) Bristol Development Framework Core Strategy.

<ol style="list-style-type: none"> 1. Ensuring a sustainable future for Bristol. 2. Mixed, balanced and sustainable communities. 3. Ambitious and sustainable growth. 4. Appropriate housing provision, 5. Better health and wellbeing 6. High quality built environment. 7. High quality natural environment. 8. Improved accessibility and connectivity. 9. Effective waste management. 10. Adapting to climate change and the promotion of renewable energy. 11. Community involvement and engagement. 	<p>tourism offer and provide new facilities that complement what is already available.</p>	<p>Centre, including enhancing Bristol's status as the foremost entertainment centre in the South West.</p> <p>During our discussions with the arena's operators, it was noted that the Temple Island Arena is likely to open up the market to potential attendees based in the South West and South of England regions, which are currently not serviced by a large arena. As a result, the Arena is likely to attract visitors from these regions and would make Bristol the destination for large live events. It will also help to retain Bristol residents spending on cultural events in the local area as previously they would have had to travel outside the region to attend large scale arena events.</p> <p>Further, the findings from the ERS Bristol Entertainment Venues study, found that rather than competing with the existing entertainment venues in Bristol, the Arena will complement them and will help promote Bristol as an entertainment centre. We have not tested the validity of this statement following the plans to redevelop Colston Hall. However, the significantly larger capacity of the proposed Arena means that they are likely to stage different types of events and attract different artists and audiences, at least for the major events planned.</p>
<p>11 Contribute to the delivery of Policy BCAP 35 – Temple Quarter Enterprise Zone. Policy BCAP 35 states that “sites within Bristol Temple Quarter will be developed for a wide range of uses as part of the growth and regeneration of the area as an employment-led, mixed use quarter of</p>	<p>The arena will contribute to the delivery of Policy BCAP 35 – Temple Quarter Enterprise Zone, by providing a major indoor arena.</p>	<p>The Arena will still contribute to the delivery of Policy BCAP 35 through the development of a major indoor arena.</p>

the City Centre”¹⁶. Included within this policy area is the development of a major indoor arena.

Source: KPMG review of Bristol City Council (2016) Bristol Arena Full Business Case

¹⁶ Bristol City Council (2015) Bristol Local Plan – Bristol Central Area Plan.

1.2.2 Case for public sector intervention

We have assessed the extent to which the arena project warrants the allocation of public funding on both an initial and an ongoing basis. As part of this we have reviewed the main reasons why the public sector may intervene in a market, and how the objectives of the arena align to these.

In general, there are two main reasons why the public sector may want to intervene in a market. First there may be a market failure, where the market does not provide an efficient solution to a problem. In the case of market failures, it may be that no one comes forward with a good or service, or that the market provides an inefficient quantity of goods or services. Secondly, public intervention may occur where a market is efficient but inequitable i.e. there are externalities present in the market.

The case for public sector intervention in developing the proposed arena that has been put forward by BCC in the FBC is based on three main points¹⁷:

1. It is rare for Arena projects to be bought forward by the private sector;
2. The benefits gained from the arena will mostly be public benefits and as a result, the project is not seen as commercially viable for private investors; and
3. The Arena will act as a catalyst for the development of the wider area. The Temple Island site, on which the arena is proposed to be located, is a derelict brownfield site which has been vacant for over 15 years with little to no private interest. Therefore, there is evidence that the private sector has not been forthcoming in delivering any developments on the site.

There is some evidence to suggest that arena projects are generally not brought forward by the private sector. Of the three most recent arena projects¹⁸ in the UK, only one has been primarily private sector led, although it should be noted that this project was the refurbishment of the Sheffield Motorpoint Arena, which was a comparably much smaller project than that of the Temple Island Arena project. In all other cases, the projects have been championed and majority funded by the public sector and there are examples of where private sector proposals have not proceeded (e.g. the Leeds arena).

In the case of Temple Island Arena, no private investor had previously come forward with proposals for funding the development of an arena on the Temple Island site. Therefore, project has been led by the public sector.

The commercial viability of the project for private sector investors is predominantly linked to the levels of risk, upfront costs involved in the development and the long timeframes over which returns would be realised. In general, arena projects require large upfront capital costs for construction and the payoffs tend to be accrued over a long period. Given this, investors are unlikely to receive sufficient return from such projects in the short- or medium-term and would need to risk taking a longer term view and sink costs in the project without receiving a payback for multiple years. This can mean that developers or investors are less incentivised to invest in arena projects, particularly as other large capital developments may require less upfront capital and have shorter payback periods, and therefore be more attractive to a private investor seeking quicker and potential higher returns. Generally speaking, capital investments with a very long period before a reasonable investor return is made (usually over 15 years) are attractive to the private market only where the underlying returns are relatively certain (hitting investment grade ratings, where formally rated by a ratings agency such as Moody's, S&P, Fitch) or there is a public sector counterparty sharing and mitigating some of the risk.

The development of the proposed arena at Temple Island would involve high levels of upfront investment – estimated at £156.3m, excluding car parking cost. This represents a significant investment that most private sector organisations would be unlikely to risk or view as commercially viable. Given that the Arena on the Temple Island site would be developed on a derelict brownfield

¹⁷ Bristol City Council (2016) Bristol Arena Full Business Case.

¹⁸ Includes Leeds Arena in 2013, SSE Hydro Arena in Glasgow in 2013 and the refurbishment of Sheffield Motorpoint Arena in 2010.

site, requiring remediation there is no evidence that a private sector developer would bring forward the arena without public sector support. Indeed, it is noted that planned developments on the site and surrounding area, such as the University of Bristol development and some developments in the Enterprise Zone, have been backed by public sector funding. However, given the well-connected location of the Temple Island site within the BTQEZ and its proximity to Temple Meads Station, the site may become increasingly attractive to private investors in the future as other developments progress. Some element of public sector intervention may still be required to develop the site for any other purpose.

Additionally, since the FBC was submitted, a private sector led proposition for an arena in Bristol has been brought forward by YTL. The proposition is for an arena to be constructed by YTL in the Brabazon Hangar in Filton, Bristol.

It should be noted that any alternative proposition to deliver an arena through the private sector should be analysed for its viability, and should consider any potential State Aid issues should there be any public sector funding involved in the project. KPMG has not included analysis of this nature within this study, however, an additional study is being carried out to assess the potential Value for Money (VfM) of an arena on the Filton site, as well as alternative uses for the Temple Island site as part of a Phase 2 report. If the Filton Arena is deliverable and shown to deliver a similar benefit cost ratio (BCR), this private sector led proposition weakens the strategic rationale for public sector intervention of the proposed Arena project on Temple Island site.

Investment by the public sector in cultural assets, such as arenas, often reflects the wider benefits (positive externalities) that can be realised. These are benefits to the wider economy and society beyond those that would be realised by private developers. Given that the social returns are broader than the private returns this can provide a rationale for public sector intervention.

As we analyse in Section 5, the development of the proposed Arena is likely to contribute to achieving wider benefits for the City and region including enhanced economic activity in the form of GVA and employment, as well as some broader catalytic and social impacts.

2. Review of the commercial case for the Temple Island Arena

2.1 Overview

KPMG has reviewed the following agreements and supporting reports relating to the development and funding of the Arena:

1. **Aecom Cost Plan:** Aecom has provided BCC with cost consultancy advice since 2012, including supporting BCC in negotiating the agreements with the shortlisted building contractors. We have reviewed Aecom's report from July 2017 which summarises their expectation of the costs associated with the arena development. Aecom have also provided specific analysis of various elements of the agreement with the shortlisted contractor.
2. **Aecom PCSA Target Cost Tender Report:** Aecom has reviewed and commented on the proposals from Buckingham. We have reviewed their report from January 2018, v 0.5, and highlight relevant parts of their assessment in our report. We have also reviewed the BCC Bristol Arena Contingency Paper V0.2.
3. **Pre - Construction Services Agreement:** This agreement is with BCC's preferred contractor, Buckingham Group Contracting Limited, and covers the period since it was nominated as the Preferred Bidder whilst Buckingham worked toward producing a target cost for BCC. We note that BCC have not entered into an agreement to develop the arena, and that therefore this is the only signed agreement with the contractor. Should BCC proceed, we understand that they will enter into an industry standard NEC3 contract, albeit with a number of contractual amendments to deal with project specific factors.
4. **HCA Agreement¹⁹:** The proposed Arena development is expected to be built on land acquired from the HCA. We have reviewed the agreement to purchase the land from the HCA from March 2015.
5. **Agreement for Lease:** The proposed arena will be leased to a joint venture – 'Arena Island Limited' – owned by SMG Europe Holdings Ltd and Live Nation UK Ltd for an initial period of 25 years.
6. **West of England LEP Offer Letter – Issued by Bath and North East Somerset Council:** The proposed arena will be funded in part by a grant from the LEP. We have reviewed the draft offer letter, which we understand is the most recently available version available.

In addition to the documents outlined above, we have also been provided with numerous BCC internal documents, including the Outline Business Case and Full Business Case, as well as the Amion Consulting report, which is reviewed in Section 5.

We summarise below the key provisions of these agreements as they relate specifically to the development and funding matters of the arena only – for the avoidance of doubt our review does not constitute an analysis of the legal and other contractual commitments of the agreements.

¹⁹ We note that the Homes and Communities Agency ("HCA") has been replaced by Homes England ("HE"). We refer to the HCA throughout given that the legal agreement was signed with the HCA.

2.2 Construction arrangements

2.2.1 Background and history

We provide a brief recap of history of the construction arrangements here for context in considering the current position and financial offer from Buckingham.

Following approval by the BCC Cabinet, the BCC Project team ran a tender process in October 2015 for the contract to build the arena. The tender, which was weighted 80% towards quality and 20% toward cost, saw Bouygues UK ('Bouygues') nominated as the preferred bidder in January 2016. BCC and Bouygues entered into a Pre-Construction Services Agreement ("PCSA") in April 2016. However the two parties were unable to agree a cost and did not proceed to Target Setting. The PCSA with Bouygues ceased in January 2017.

Buckingham Group Contracting Ltd ('Buckingham') was subsequently nominated as the preferred bidder by BCC in April 2017, and BCC entered into a Pre-Construction Services Agreement ('PCSA') with Buckingham in July 2017.

Aecom has provided cost consultancy services for BCC on this project since 2013, with its work including providing cost plans for the Council throughout the development process. Aecom provided a cost plan in July 2017 prior to the commencement of the PSCA process, detailing their estimate of £149.6m for both the construction cost expected from Buckingham (£123.8m) and BCC client side costs (£25.9m), such as BCC project team time and architect fees.

Aecom have also benchmarked the cost of delivering the Temple Island Arena against other recently development Arena's in the UK and found that the Temple Island Arena was in the top quartile on a £/m² basis, at £4,087/m², 21.4% more than the UK average. This is in part driven by the high quality specification for the design of the building, which was procured by a design competition, reflecting the desire, as stated in the FBC, for Bristol to have an "iconic" arena. The higher than average cost also reflects factors specific to the Temple Island location, which is a constrained site near to the River Avon, as well as tender apathy amongst local contractors due to ongoing public debate around the arena.

BCC entered into the PCSA with Buckingham, which took place over an initial period of 20 weeks and was subsequently extended. The purpose of this arrangement was to arrive at a target cost with Buckingham following its discussions with its supply chain and tendering to subcontractors. BCC recognised that the £149.6m Aecom estimate was significantly above the approved budget for the project, and worked together with Buckingham to identify savings and to reduce the cost of the arena through value engineering i.e. making adjustments to the specification of the building, for example changing the frame of the building from concrete to steel and using alternative ventilation methods.

Following the end of the 20 week PCSA period on 20 October 2017, Buckingham submitted its proposed NEC ECC Target Cost. The Target Cost total proposed by Buckingham was £146.3m²⁰, which when added to BCC's own estimate of client side costs on completion gave a total of £172.1m, £22.5m more than Aecom had forecast, but identified £37.7m of cost savings that they felt were achievable if further value engineering was undertaken.

²⁰ PCSA Target Cost Tender Report v0 3

In Aecom's view, these value engineering savings will not require material changes to planning permissions or renegotiation with the operator, albeit some minor amendments to those requirements are necessary.

The key risk within the revised offer is that there is no detailed design that matches the proposed Target Cost of £122.1m and further design fees will be required to deliver this. We understand that these design costs are captured as part of the £122.1m proposal, and so are not expected to be an additional cost. There is still a risk that not all of the value engineering can be realised and the project remains over budget. In order to reflect the residual design risk and other client side risks, BCC has included further contingency in its estimate of the final development cost of the arena. We note Aecom's recommended contingencies in Figure 6 below.

Figure 6: Aecom contingency recommendations

Description		Quantum
High Level Risk	Rely on existing BCC risk allowance	£500k
Medium Level Risk	Agree a target Cost lower than £122m and transfer some of the contractors risk items	£4m-5m
Low level risk	Adopt a risk contingency percentage on top of the target cost	£6m-9m

Source: Aecom BCC Bristol Arena Risk Contingency Paper v0.2

Aecom's Target Cost tender report demonstrates its confidence that the detailed design work will not lead to additional cost, stating that "the costs associated with proposed VE changes are robust". They also note there may be additional value engineering opportunities to further reduce the cost.

In summary, The BCC project team's view, supported by Aecom, is that the revised offer from Buckingham represents an acceptable basis on which to contract, subject to further design works and value engineering and BCC retaining appropriate levels of contingency to reflect further design work (which is in place).

2.2.2.1 Pain/gain share mechanism

The contractual agreements with Buckingham contain a risk and gain sharing approach to the target cost. In practice this means that BCC and Buckingham will share an agreed percentage of savings or overruns on the final build cost compared to the agreed Target Cost.

The sharing mechanism is set out in Figure 7 below.

Figure 7: Pain/gain share mechanism

Pain share and gain share mechanism		
Share range	BCC share	Contractor share
Less than 90%	75%	25%
Greater than or equal to 90% but less than 100%	50%	50%
Greater than or equal to 100% but less than 110%	50%	50%
Greater than or equal to 110% but less than 120%	25%	75%
Greater than or equal to 120%	0%	100%

Source: PCSA

We outline in Figure 8 below the potential pain/ gain share financial impacts based on a Target Cost of £122.1m below:

Figure 8: Financial impact of the pain/gain share

% of Target Cost	77.50%	87.50%	98.28%	100%	112.50%	122.50%
Final Construction Cost (£'000)	94,550	106,750	120,000	122,100	137,250	149,450
Pain/Gain Share (£'000)	- 27,550	- 15,350	- 2,100	-	15,150	27,350
Buckingham (£'000)	9,913	6,863	3,550	-	8,388	18,300
BCC (£'000)	17,538	8,388	- 1,550	-	6,863	9,150
Total payable to Buckingham (£'000)	104,463	113,613	123,550	122,100	128,863	131,150

Source: KPMG analysis

The lower Target Cost significantly reduces the potential pain/gain liabilities for BCC. The maximum potential liability to BCC is £131.3m, but Aecom believes that it is unlikely the costs will exceed the £122.1m, noting *'the revised bid has been substantially market tested and once the project regains traction further buying gains are expected from the supply chain.'* It should also be noted that the Target Cost suggested by Buckingham includes £10m of contractor risk contingency, which would need to be utilised fully before the Target Cost estimate is exceeded.

BCC has made a provision for ██████ in respect of additional liabilities under the pain gain mechanism, compared to a total worst case risk exposure of £9.15m.

Taken together, the BCC contingency for pain gain mechanism liabilities and the general contingency total ██████, which is greater than Aecom's recommended range of £4m- £5m. Both the pain/gain share and general contingency are reflected in BCC's financial forecasts for the arena, which we review in Appendix 3.

2.2.2.2 Other contractual provisions

BCC has not entered into a construction agreement with Buckingham as no decision to proceed with the arena has been made by BCC. We note that the contract that Buckingham tendered on was a standard form NEC 3 building contract, albeit with a small number of additional project specific amendments.

We note, per our conversations with Aecom and BCC, that there are a number of specific compensation events proposed in the contract relating to the site i.e. risks that reside with BCC rather than Buckingham. These include the contamination of the River Avon and issues arising as a result of works carried out by Network Rail. BCC's project and legal services team made the decision to retain these risks so as to pass an acceptable level of risk onto the supply chain, and to ensure value for money in the tendering process. Given the nature of these risks, it was felt that BCC could manage those risks better than Buckingham.

2.2.3 Buckingham credit strength

An important consideration for BCC is to ensure that Buckingham have the financial standing to deliver the contract.

Buckingham is a medium sized UK based contractor, with over £400m in turnover, £62.6m of cash and limited long-term borrowing (£2.0m) as at 31 December 2016 per its mostly recently audited published accounts. The company is targeting £500m of revenues in 2018, and its annual report identifies specific expertise in sports, leisure and civic building development. We note that the contract to build the Arena would be one of its largest projects to date, and a high priority project for the company.

[REDACTED]

2.3 Operator agreement

2.3.1 Background

BCC signed the agreement with Arena Island Limited on 8 June 2016 to operate and maintain the arena for a period of 25 years. The commercial position has been refined and agreed but not legally accepted and documented. BCC believes that this represents a more attractive commercial position and one that it would be more likely to accept and this report has been written on the basis of this revised agreement. Arena Island Limited (AIL) is a joint venture company, set up specifically to run the Arena by two large international entertainment venue operators - SMG Europe Holdings Limited and Live Nation (Music) UK Limited.

The contract is structured such that AIL pays BCC an annual lease payment of [REDACTED] that grows with CPI each year. As such BCC do not bear the operating risks or the commercial upside associated with the running of the arena, and to the extent that the arena underperforms financially, this is fully absorbed by AIL. The rental income is backed by a parent company guarantee from Live Nation and SMG, meaning the risk to BCC is based on the covenant of these organisations.

2.3.1.1 Parent company guarantee

The parent company guarantee means that in practice, the true assessment of the risk to the AIL income is in the strength of the covenant of the two guarantors, Live Nation and SMG.

We summarise the in Figure 10 below, the key financial metrics of Live Nation Inc, the listed parent company of Live Nation (Music) UK Limited.

Figure 10: Key financial metrics of Live Nation Inc.

	FY15(A)	FY16 (A)	FY17 (June LTM)	FY17 (F)	FY18 (F)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]



Minor consideration that requires limited BCC action but should be noted as part of its contractual obligations

Source: KPMG analysis

Figure 13: KPMG assessment of commercial provisions in Operator agreement

Ref	Summary	Provision	Implication for BCC	Priority
1	Changes to building specification	Any changes to the specification of the arena that will impact on the achievability of the agreed business case, as determined by a third party, will enable AIL to walk away from the agreement, unless BCC agrees appropriate compensation.	We note that BCC and Buckingham are seeking to reduce the build cost through value engineering. BCC will need to ensure that these changes to the building specification do not impact on AIL's requirements. Formal sign off of this condition and revised specification from AIL should be a condition precedent to signing any construction contracts.	
2	BCC liability for cancellation/termination	There are various provisions in the agreement for termination under different circumstances. Of particular note is that in the event that the arena development cost exceeds £91.0m, BCC are entitled to 'determine the Agreement by giving not less than 15 working days written notice', unless ACL are willing to increase their contribution by an appropriate amount. The agreement does not highlight any break fees in this event.	BCC should take legal advice to confirm that the additional development costs, over the £91.0m agreed in the lease, will enable it to terminate the agreement without cost should it choose to.	
3	BCC liabilities for construction delays	There are various provisions in the agreement for impact of a construction delay. We note that, provided that any delays in construction are notified to AIL more than 6 months prior to the target handover date, then BCC are able to postpone the handover date to AIL. In addition BCC must notify AIL of any material changes to the construction timetable.	BCC will need to update on AIL on the progress of the development as it progresses.	

Source: KPMG analysis

2.4 HCA agreement

2.4.1 Background

The HCA agreement, dated 26 March 2015, relates to the acquisition by BCC of the land to, principally, develop the arena on for a consideration of £5.4m + VAT. The purchase was funded by a grant from the HCA.

2.4.2 Overview of commercial provisions

Figure 14: KPMG assessment of HCA commercial provisions

Ref	Summary	Provision	Implication for BCC	Priority
1	Overage	<p>Per the terms of the agreement, overage is due to the HCA in a number of scenarios on value generated from 3 specific plots of land on the broader site, per Clause 22, including:</p> <ul style="list-style-type: none"> - Where BCC disposes of part of the site, as it expects to do to the University of Bristol - Where the Market Value at completion exceeds the value BCC paid to acquire the land and develop on those areas. 	<p>A legal requirement to pay overage is expected to be triggered on the parcel of land sold to the University of Bristol. The amount due would depend on the income that relates to the land covered by the HCA agreement net of costs, which include enabling works such as demolition costs and the base value of the land.</p> <p>BCC has calculated that after these costs that the amount payable will be reduced to nil, and we understand that its advisors, CBRE, have reviewed and agreed with BCC's calculation. The assumed development costs have been professionally scoped.</p> <p>Furthermore, we understand that BCC has agreed with the HCA that the requirement to pay overage will expire on completion of the sale of land to UoB.</p>	A
2	HCA Options	<p>The HCA has various options to buy back the Temple Island site, as well as the 3 specific plots identified above.</p> <p>We understand that the Temple Island option expired in March 2017. However the options on some of the other plots have not expired yet.</p>	<p>The HCA has an option on a parcel of land that is being sold to the University of Bristol, allowing them to buy it back in 2020. This would potentially impact on the sale to the University.</p> <p>We understand from BCC that the HCA has agreed to release its right to buy back one of the plots, subject to legal documentation.</p> <p>We recommend BCC take further legal advice in respect of the HCA's</p>	A

			rights in relation to all of the three plots of land.	
3	Development Restrictions	Per Clause 15 no development is permitted on the 3 plots of land identified until at least 10% of the Arena Build cost has been achieved.	BCC propose to sell one these restricted plots to the University of Bristol. We recommend BCC take legal advice to identify how the provisions of this clause impacts on the sale of the land and the proposed development by the University.	A
4	Minimum Output Payments	Clause 17 of the agreement provides for Minimum Development Output payments, of up to £5.5m, to be paid to the HCA if BCC do not develop sufficient floor space, housing or create sufficient FTEs. BCC do not believe any liability is due in relation to this provision.	Confirm that no Minimum Output payments are due with the HCA and legal advisors.	G
5	Output Reporting	BCC have agreed that all Development Outputs will be claimed and reported by the HCA. BCC need to provide information to enable the HCA to do this.	BCC will need to ensure it discharges the ongoing reporting requirements to the HCA in respect of the development.	G
6	Main Access Bridge works	The agreement required the HCA to complete access works to the site by 31 December 2015, which we understand from BC were not completed until mid-2016. The HCA were required to notify BCC by the 31 March 2016 of the reasons for this.	BCC should confirm that it has received the communication from the HCA, to ascertain whether the HCA is in technical breach of the agreement.	G

Source: KPMG analysis

2.5 West of England Local Enterprise Partnership

2.5.1 Background

The West of England Local Enterprise Partnership ('The LEP') have offered a grant to fund the Arena based on the FBC for the Arena prepared by BCC. We understand that there is no signed grant offer letter and that we have been provided with the most recent draft document. The grant was approved on 9 January 2015.

2.5.2 Summary terms

We understand that the grant is for £53.0m plus interest, albeit the quantum and rate and calculation methodology of the interest is not defined in the draft offer letter.

The grant is paid in line with the West of England Growth Incentive City Regional Deal Agreement for the Operation and administration of the Economic Development Fund ('EDF'), which we have not reviewed. BCC have informed us this agreement expires in 2039. We understand that this relates to BCC being able to retain the business rates income growth in Bristol up until that point, and that BCC have allocated a portion of those rates to the Arena project.

In practice this means an annual amount plus interest will be received from Practical Completion of the Arena until 2039 to partially cover the debt service costs of financing taken out to fund the development of the Arena. We review this income stream and the risk associated with it in more detail in Section 3.

2.5.3 Key provisions

Figure 15: KPMG assessment of the key provisions in the LEP funding agreement

Ref	Summary	Provision	Implication for BCC	Priority
1	Changes to arena business case	Any changes that BCC wishes to make require the approval of the LEP, including an increase of more than 5% in the Eligible Costs, a change in the scale of the project or the location of the works and any changes to the expected outputs from the development.	We note that costs have increased by over 5% compared to the LEP approved business case. BCC will need to notify the LEP of this change and the updated expected outputs from the development. The LEP has the right to re-assess its offer to BCC. We understand that BCC are in regular contact with the LEP via the Quarterly Highlight report process.	A
2	Business rate growth not in line with BCC projections	To the extent that business rates to not grow in line with the EDF forecast, the income the project receives could be less than the £53.0m plus interest.	If LEP income is lower than forecast, BCC will need to pay any shortfall to pay borrowing costs, albeit we understand this is on budget	G
3	Interest rate	The Interest rate applied to the Grant as part of the offer is not explicit in the offer letter that we have been provided with. BCC Finance team has assumed a rate of c.3%. We have not seen information from the LEP supporting this assumption.	To the extent that the rate of interest paid by the LEP is lower than the borrowing rate attached to Public Works Loan Board (PWLb) loan, BCC may have to fund the shortfall in interest charge. BCC should review the terms of the EDF Agreement and clarify with the LEP what the interest rate they have offered to cover is.	G

4	FBC Accuracy	The grant offer is based on the description of the project as set out in the 2014 FBC. Clause 1 requires BCC to notify the LEP of any errors, inaccuracies or emissions in the FBC, and the LEP may choose to re-assess the grant offer at its discretion.	We note that the project has changed materially since the FBC case in 2014. BCC should consider what updates are relevant to provide to the LEP.	G
5	Draft document contains numerous blank sections	<p>The draft offer letter is blank in numerous places. BCC will need to ensure its satisfaction with additional provisions added in , including:</p> <ul style="list-style-type: none"> — Definition of eligible expenditure — Milestones — Quantum of the grant — Interest rate — Expiry date 	<p>BCC should ensure that these provisions are updated before finalisation and are reflected in the financial decision to proceed with the arena, in particular the interest rate.</p> <p>We also note that the LEP can amend or withdraw the offer if progress is behind the agreed milestones.</p>	G

Source: KPMG analysis

3 Review of the financial case for the Temple Island Arena

3.2 Financial overview

An overview of the financial case is provided below.

- The construction cost of the arena will be met by £25.9m of capital contributions from BCC from earmarked sources, £5.2m from net operating cash flows during the construction period supplemented by £145.0m of PWLB borrowing.
- The PWLB borrowing will be repaid through income accruing from the arena, principally:
 - £65.6m of funding provided by the LEP over 18 years (£65.6m being a principal sum of £53.0m as well as interest costs of £12.6m associated with £53.0m of PWLB borrowing until it is fully repaid by the LEP funding).
 - Agreed annual lease payments from AIL for years 1 to 25 of the Arena's operation.
 - Car parking income, which BCC has based on projections provided by a third party consultancy.
 - Net income from the Arena that is not currently secured for years 26 to 50 of the arena's life. Whilst BCC has not made any decisions regarding its strategy for monetising the arena in years 26 to 50, it has assumed a capital receipt of £66m at the end of year 25 in its projections. BCC could also elect to lease the asset to an operator over this period or run the arena itself.
- BCC will borrow from the PWLB in tranches a part of its overall treasury management strategy, however as a proxy its long term cost of borrowing over 50 years is roughly 2.80%.
- Before any public funding is taken into account, the arena is forecast to generate an internal rate of return of just -0.67% over 25 years. This highlights that significant public funding support is needed to make the arena viable.
- After the £65.6m of LEP funding is taken into account, the internal rate of return of the arena for BCC is 1.28%. This is still short of BCC's long term cost of borrowing under PWLB, so the arena requires direct funding support from BCC in addition to the LEP borrowing.
- BCC intend to provide this support through £25.9m of capital contributions towards the build cost, which are set out in the sections that follow, as well as land contributions of £12.5m. The net return from the arena to BCC after these contributions are made is 2.82%, being broadly in line with the cost of borrowing under PWLB. This suggests that it is possible to structure the financing arrangements such that the arena has no ongoing revenue cost to BCC. Over 25 years the arena is forecast to meet principal and interest payments under PWLB and generate a net surplus of for BCC. Most of this surplus accrues in year 25 when BCC projections show a capital receipt of £66.0m.
- We note that the BCC financial models provided to KPMG show the PWLB loans repaid with repayment profiles such that there is a small cash deficit from the arena in 14 years of the project. Ultimately the borrowing strategy for the Arena will not be considered in isolation but as part of BCC's wider treasury management and borrowing strategy. We conclude that it is possible for BCC to finance the project with no requirement for ongoing revenue support – but BCC may choose a different financing strategy to suit its wider group objectives.

3.3 Summary of financial forecasts

A summary of the cash flow forecasts prepared by BCC for the project are shown below in Figure 16. The forecasts cover the development of the arena, including historical expenditure, and its future operations of a 25-year period, albeit the arena is expected to have a useful economic life of 50 years. As noted in Section 2.3 BCC has an Agreement for Lease in place with respect to the first 25 years of operation. After the expiry of the lease, BCC would have a number of options with respect to generating income from the arena, including selling it and receiving a capital receipt, and continuing to rent it out. BCC's projections illustrate a capital receipt in year 25 of £66.0m, which is based on the expected future rental income stream from the arena, net of a £10m general contingency.

The construction period costs are met as is set out in Figure 16.

Figure 16: Sources and uses of funds during construction

Sources and uses	£m
Sources	
Capital and revenue contributions	
Net operating cash flows during construction period	5.2
BCC - revenue contributions	0.3
BCC - transport capital contribution	1.8
BCC – CL	8.0
BCC - capital receipts	15.9
BCC - site opportunity cost	12.5
BCC borrowing	
EP loan	30.0
Annuity loan	25.8
Maturity loans	89.2
Sources of finance	188.6²²
Uses	
Construction costs	
BCC land contribution	12.5
Capital expenditure - arena	141.4
BCC contingency costs	█
BCC development cost recovery	█
Capital expenditure - MSCP	16.2
Financing costs	
Interest during construction	3.6
Uses of finance	188.6

Source: KPMG analysis

A 25 year summary of the cash flows of the Arena (based on the BCC financing strategy is shown below).

²² Totals appears to not sum correctly due to rounding differences

Figure 17: Summary of BCC Arena project cash flow analysis

£m	Total	Construction	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Operations	
							Years 21-25	Residual value debt repayment
Operating cash flows								
Operating rent and car parking income ²³	90.8	-	14.7	16.2	18.0	19.9	22.0	0.0
Asset value at year 25	66.0	-	-	-	-	-	-	66.0
Total operating cash flows	156.8	0.0	14.7	16.2	18.0	19.9	22.0	66.0
Project capital expenditure								
Arena capital expenditure ²⁴	(167.3)	(167.3)	-	-	-	-	-	-
Project cash flows	(10.5)	(167.3)	14.7	16.2	18.0	19.9	22.0	66.0
Revenue and capital contributions								
LEP funding	65.6	-	20.7	18.8	16.9	9.2	0	-
Project cash flows after LEP contribution	55.1	(167.3)	35.4	35.0	34.9	29.1	22.0	66.0
Total BCC capital contributions	25.9	25.9	0.0	0.0	0.0	0.0	0.0	0.0
Pre PWLB financing cash flows	81.0	(141.4)	35.4	35.0	34.9	29.1	22.0	66.0
Financing								
PWLB interest expense	(85.3)	(3.6)	(19.8)	(18.1)	(16.3)	(14.4)	(13.2)	-
Interest income	5.6	-	0.1	0.5	1.1	1.7	2.2	-
Net interest expense	(79.7)	(3.6)	(19.7)	(17.5)	(15.2)	(12.7)	(11.0)	-
Net PWLB debt drawdown	145.0	145.0	0.0	0.0	0.0	0.0	0.0	0.0
PWLB debt repayment over years 1-25	(55.8)	-	(12.1)	(12.7)	(13.4)	(10.9)	(6.8)	-
Residual value repayment	(89.2)	-	-	-	-	-	-	(89.2)
Total debt drawdown and repayment	-	145.0	(12.1)	(12.7)	(13.4)	(10.9)	(6.8)	(89.2)
Transfers (to)/from MRP reserve	-	-	(4.4)	(5.1)	(5.8)	(6.7)	(7.7)	29.7
Surplus/(deficit)	1.3	-	(0.8)	(0.3)	0.5	(1.1)	(3.5)	6.5

Source: BCC Projections, KPMG analysis

²³ Includes arena and car parking income, and operating costs.

²⁴ Includes car parking, contingencies, arena build cost, other contributions and BCC internal costs.

3.3.1 Operating cash flows

The principal sources of funding for the project are:

- **Operator rental income:** BCC has agreed a contract with AIL to receive index-linked rental payments of £[REDACTED] (price base date: September 2014) over a 25-year period once the arena is operational, escalating with CPI at a forecast rate of 2.00% p.a. Whilst the income for the first 25 years' is contractually agreed, the assumptions made beyond this point are less certain as no operator agreement is currently in place. The illustrative assumption used in BCC's projections is a capital receipt in year 25 of £66m. This reflects the capitalised value of future rental income streams, based on rental income increasing by 1.5% per annum from year 26 to 50, net of a £10.0m general contingency, reflecting the inherent uncertainty involved in estimating long term cash flows such as these.
- **LEP funding:** This comprises revenue funding from the LEP of approx. £65.6m, based on a principal value of £53.0m, over an 18-year period at a cost of 2.65%-3.00% p.a. from the start of operations. The shorter term of the loan compared to the useful economic life of the asset and the repayment profile both have the effect of providing a greater level of funding to the project in earlier years. However, the LEP funding directly matches the debt service of its corresponding loan, so it does not provide any further subsidy to the project beyond lowering the external capital requirement.
- **Car parking Income:** BCC has included the car parking income and costs in its projections over a 25 year period based information provided by ch2m in a car parking study. We understand that ch2m's analysis is based on there being 1,250 spaces as part of the Arena development, and that this income is additional to the existing income from car parking in Temple Quarter. Unlike with the arena, BCC has not assumed a residual capital value in its car parking projections, given the inherent uncertainties in forecasting long term car parking revenues.

3.3.2 Capital expenditure

BCC has estimated a total capital cost for the Arena of £172.5m, reflecting the additional contingencies described in Section 2 and car parking development costs of £16.2m.

Figure 18: Construction costs

Construction Costs and Contingencies	£m
Buckingham Target Cost	122.1
BCC Client Side Costs	[REDACTED]
Target Build Costs	[REDACTED]
BCC Provision for Max. Pain Share	[REDACTED]
BCC General Contingency	[REDACTED]
Total arena capital cost	[REDACTED]
Car Parking	[REDACTED]
BCC Costs	50.4
Total Capital Cost	172.5

Source: BCC forecast, KPMG analysis

The build costs are offset by net operating cash flows during the construction period. This would give a net build cost for BCC to finance of £167.4m.

3.3.3 Capital and revenue contributions (BCC)

The capital requirement for the Arena is met in part through a number of contributions from BCC towards the scheme, as set out in Figure 19 below.

Figure 19: BCC capital and revenue contributions

BCC investment summary £m	Total (nominal)	Description
Transport contributions	(1.8)	BCC has allocated £1.8m of funding to provide the supporting transport infrastructure for the arena.
CIL contributions	(8.0)	BCC has allocated £8.0m from this levy towards meeting the cost of the project.
Capital receipts	(15.9)	BCC is selling a plot of land adjacent to the proposed site to University of Bristol for £15.9m. Post-enabling works, the net proceeds have been allocated to the development of the arena.
Revenue contribution	(0.3)	BCC has also made direct revenue contributions of £250k towards the project which it does not propose to recover on financial close.
BCC investment	(25.9)	

Source: KPMG analysis

In addition we note that BCC is providing £12.5m of land, based on a valuation from third party advisors, to construct the Arena on.

3.3.4 Financing

BCC's forecasts show the £145.0m of long term borrowing for the Arena being met as follows:

- BCC has already raised a £19.2m maturity PWLB loan with a 50-year tenor at a cost of 2.21% p.a. The proceeds from this loan will be used initially to meet project costs as they are incurred.
- BCC will raise £109.6m of short-term finance (including interest during construction) as part of its wider treasury management strategy to meet the construction costs. It has been assumed that this finance will cost 1.00% p.a. and interest during construction on this finance will roll-up into the debt balance, calculated as £3.6m.
- At the end of construction, the short-term development finance will be refinanced with £109.6m of debt provided from the PWLB through a combination of debt tranches. These comprise:
 - a £70m maturity loan with a 50-year tenor at a cost of 3.0% p.a.;
 - a £9.6m annuity loan with a 25 year tenor at a cost of 3.0%;
 - a £30m EIP loan with an 18-year tenor at a cost of 2.65% p.a. A further £16.2m is borrowed to fund the car parking development over a 25 year period at a cost of 3.0% p.a. from PWLB on an annuity basis.

In summary, this amounts to £145.0m of long term PWLB debt outstanding at the start of operations. These are repaid in line with the specified repayment profiles from project cash flows.

BCC has modelled the PWLB financing assumptions for the arena on a project basis, i.e. loans ring-fenced for the Arena. In practice we note that the borrowing requirement for the arena is only one part of BCC's wider borrowing requirement as one element of its overall treasury management strategy.

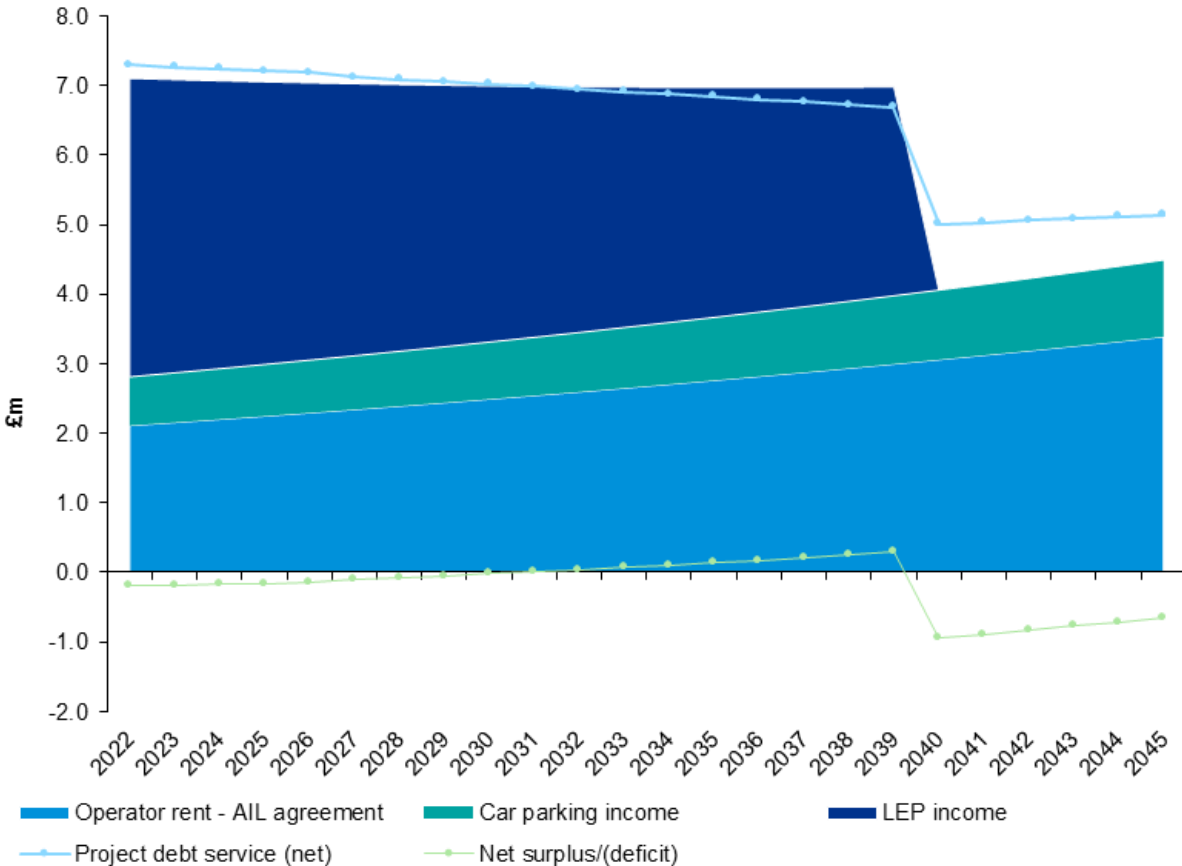
Where project cash flows are insufficient to meet the level of debt service in the BCC case, BCC assumes that it will fund the shortfall, charging the project a national charge of 1.00%-2.00% p.a. (see below) reflecting the cost of this short term funding, akin to an overdraft facility. This overdraft facility is repaid from future surplus cash flows after debt service, predominately in year 25 after the disposal proceeds are received.

Interest on cash balances, including the MRP reserve account and forecast surpluses, as well as the short-term overdraft facility, is received and charged at a rate of 1.00% p.a. for years 1-5 of operations and 2.00% p.a. thereafter.

3.3.5 Project affordability

As noted above, after taking into account the LEP funding and earmarked BCC contributions to the capital element of the scheme, the project generates a return on investment of 2.82%, before the cost of finance is taken into account. BCC’s long term cost of finance under PWLB, as per its financial projections, is 2.80%, meaning that the project generates a sufficient return over time to repay principal and interest on the PWLB loans and generate a small nominal terms surplus for BCC.

Figure 20: Cash position over the operational term of the Temple Island Arena – BCC forecasts



Source: KPMG analysis

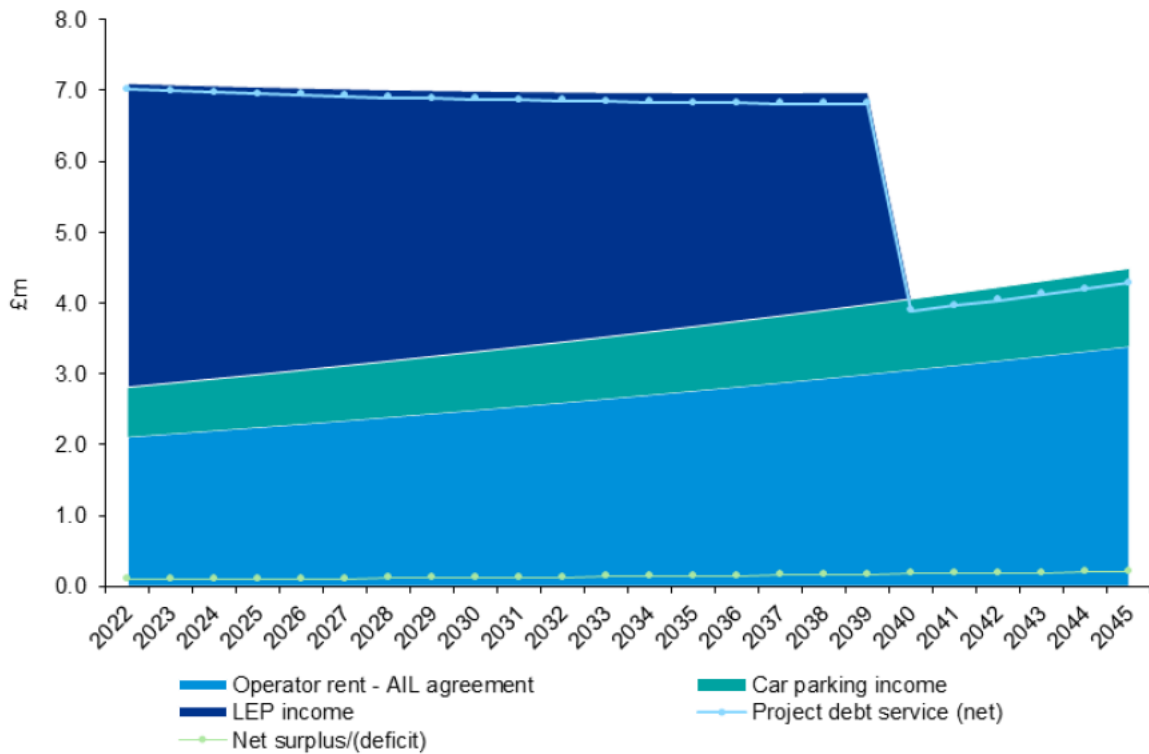
The forecasts suggest a temporary affordability gap up from year 1 to year 9, and year 19 to year 24 of operations.

There is of approximately £89.2m outstanding to PWLB in year 25 when the initial operator agreement concludes although offset against £29.7m of MRP reserves built up to that point would leave £59.5m

of net debt. BCC's forecast illustrate how this would be repaid in year 25 through disposal of the asset for £66.0m. We note that it would also be possible to lease the asset to an operator for a further period of 25 years. BCC's assumption in relation to rental yield – growing by ██████████ suggest that the outstanding debt could be serviced over the life of the asset generating a surplus in each period, with an average DSCR over years 26 – 50 of 1.11.

As we have noted, it is possible to structure the PWLB borrowing such that there is no cash deficit in any period by changing the timing of debt repayments. This is explored further at Section 3.5, with the revised cash flow graph shown below.

Figure 21: Cash position over the operational term of the Temple Island Arena – alternative financing structure



Source: KPMG analysis

3.4 Net present values

3.4.1 Methodology

The affordability analysis at Section 3.3.5 focusses on the cash affordability of the Arena for BCC within current budgetary constraints. Just because an investment is forecast to pay for itself does not mean it is good value, particularly where the reason for its affordability is essentially the ability for BCC to borrow at a rate that is significantly below that at which a commercial investor would for a project of this risk level.

We have performed a range of net present value (NPV) calculations in relation to the direct financial cash flows to BCC from the project to assess the VfM case, before considerations of wider social and economic benefits. In doing so, we have assessed three scenarios:

1. The NPV of direct project cash flows and land opportunity cost only over 25 years before any BCC or wider public sector funding sources and before financing provided by BCC. This represents the value of the direct financial cash flows of the Arena to the public sector as a whole.

2. The NPV of BCC cash flows and land opportunity cost after LEP contribution. This represents the value to BCC of the investment, noting that the LEP will be bearing some of the project costs.
3. The NPV of BCC cash flows after capital contributions: This includes LEP funding and [REDACTED] of BCC capital contributions (including the land for the Arena), but before PWLB financing costs. This represents the value of any net cash surpluses, noting that BCC has already made commitments to some of the capital funding, such as through capital receipts from site disposals and an allocation of development levies towards the project.

For each of these scenarios, we have used three different discount rates:

1. The long-term cost of borrowing under PWLB. This provides a measure of the affordability of the scheme, as BCC has access to long-term borrowing at this rate. Based on recent PWLB pricing, we have used a long-term PWLB rate of 2.80%, representing a margin of 80 bps over gilts.
2. A proxy of the market rate that we consider applicable to an investment of this risk profile, noting that a commercial investor would require a rate of return significantly higher than the PWLB rate in order to undertake a project of this risk. We refer to this as the project-specific rate. This is a better measure of the underlying value or subsidy provided to the project once the risk level of the project is taken into account.

[REDACTED]

3. The rate suggested by the HM Treasury Green Book of 3.50% (real), which equates to a nominal rate of approx. 5.57% given the 2.00% p.a. inflation assumption made in the BCC financial forecasts. This is a slightly lower return threshold than our estimate of the project-specific rate and is shown for completeness.

3.4.2 Results

The results of the NPV calculations for the direct financial cash flows to BCC are shown below (Figure 22).

Figure 22: NPV summary – BCC base case

NPV of project cash flows (base case)				
£m	Project IRR	PWLB	Project	HM Treasury Green Book
Direct project cash flows	(0.67)%	(79.5)	(103.1)	(100.8)
BCC cash flows (after LEP contributions)	1.28%	(34.4)	(73.4)	(68.8)
BCC cash flows after capital contributions	2.82%	0.40	(42.1)	(36.9)

Source: KPMG analysis

The key observations from these results is that the project without any public sector contributions has a negative NPV. At the project specific rate (in our view the best measure of the total value of public funding support), the NPV is negative £103.1m. This is the value of the subsidy, whether direct or indirect, which would need to be provided in order to deliver the project. A high level of public funding support is expected based on precedent for Arena projects and this needs to be considered against the wider social and economic benefits of the projects (see Section 4).

3.4.3 Sunk costs

The sunk costs (costs already incurred) relating to the project are estimated to amount to £12.2m up to FY18. Should BCC take the decision not to proceed with the project, these costs will not be recovered.

An appraisal of the affordability and value for money of the scheme as a whole is useful and it is an appropriate measure of whether the project should have been undertaken. However, at the point of deciding as to whether to proceed further or not, sunk costs incurred historically should be excluded and only costs impacted by the decision considered. We re-state the results of the NPV calculations below, excluding these sunk costs.

Figure 23: NPV summary – BCC base case (excluding sunk costs)

NPV of project cash flows (excl. sunk costs) £m	Project IRR	PWLB	Project	HM Treasury Green Book
Direct Project cash flows	(0.33)%	(67.3)	(90.9)	(88.6)
BCC cash flows (after LEP contributions)	1.74%	(22.2)	(61.2)	(56.6)
BCC cash flows after capital contributions	3.50%	12.6	(29.9)	(24.7)

Source: KPMG analysis

3.5 Review of BCC projections

3.5.1 Project affordability risks

We outline the material risks to BCC's projections below (Figure 24).

Figure 24: Risk assessment of BCC projections

Risk	Description	Impact	Rating
Cattle Market Road income	<p>BCC plans to allocate the sale proceeds of £15.9m from Cattle Market Road to the Arena project. There is a risk that these proceeds are lower than expected, as:</p> <ul style="list-style-type: none"> — The sale proceeds received depend on the size of the development that is granted planning permission. — BCC also needs to carry out contractual works, such as demolishing the old post office site. There are specific challenges associated with that land which we understand BCC are reviewing with specialists in due course. As a result there could be additional costs. — The HCA has an option on part of the land being sold to the University of Bristol. If that option was exercised it could 	<p>Reduced income from sale proceeds will require further borrowing to cover the shortfall in funding.</p> <p>A delay in receiving that income could also lead to additional financing being required.</p> <p>This would increase the subsidy that the BCC would need to fund on an ongoing basis.</p>	<p>A</p> <p>Further work suggested to assess the risk of cost overruns and timing of receipt.</p>

potentially reduce or prevent the sale to the University.

- The impact of these factors could reduce the income received by BCC.
- In addition the sale could also be delayed by complications with the site.

Operator income

We also note that BCC has assumed a capital value of £66m after the expiry of the lease. BCC has derived its capital value from an assumed growth in rental income from the Arena between years 26 and 50 of 1.5%, net of £10m contingency.

A failure to sign an operator agreement after the 25 year contract ends or a contract on different terms to that agreed to date will reduce the income available to repay or service debt, requiring a BCC subsidy.

Given the LEP income ceases before the Operator agreement ends, this is the only income BCC have to cover financing costs.



Whilst the Arena will have value beyond the life of the 25 year AIL agreement, the challenge of accurately forecasting a capital value for an Arena in 25 years results in a risk of subsidy to repay the debt associated with the Arena, should the capital value not be in line with forecast.

LEP income

The LEP income is the major source of funding for the project.

A shortfall in business rate income to BCC over the 22 year period could reduce the amount of funding available from the LEP to fund the development.

The most recent version of the LEP offer letter does not specify an interest rate nor the capital amount that it is based on.

A shortfall in LEP income for either of these reasons would require additional subsidy from BCC to cover the debt service costs.



We have not reviewed the business rate income projections, but note that inherent challenge for forecasting tax income over a 22 year period brings a degree of uncertainty to the forecast. We understand that this income stream is performing in line with budget at present.

CIL income	<p>£8.0m of Community Infrastructure Levy (CIL) Income has been allocated to the Arena project.</p> <p>There is a risk that if BCC's CIL income is not in line with forecast, that there is a shortfall for the Arena.</p>	<p>A shortfall in CIL income will create a funding shortfall for the Arena, requiring additional income.</p> <p>More realistically, CIL income may take longer to be received, meaning that the £8.0m comes in a few months later than forecast.</p>	<p>G</p> <p>BCC confirmed as at May 2018 CIL incomes are on budget and on track</p>
CPI growth	<p>The Operator Rental payments are linked to CPI, and BCC have assumed a rate of 2.0% p.a over the 25 year lease period.</p>	<p>CPI growth of less than 2.0% would lead to a revenue shortfall, requiring BCC to provide additional subsidy to service debt costs.</p> <p>CPI growth of greater than 2.0% would generate increased operator revenue.</p>	<p>G</p> <p>A 2.0% assumption is in line market forecasts, albeit current CPI is 2.4%, suggesting there may be some upside</p>
Operator credit risk	<p>Operator rental payments may not be received if the Arena fails and Live Nation and SMG Europe fail.</p>	<p>A failure to receive operator rental income would require BCC to provide a subsidy to cover debt repayment costs.</p>	<p>G</p> <p>Given the size of the two operators, who have offered a parent company guarantee, this risk is considered low. Furthermore the asset would still have some residual value e.g for BCC to operate.</p>

Source: KPMG analysis

3.5.2 Cost and construction risks

Figure 25: KPMG assessment of cost and construction risks

Risk	Risk	Impact	Risk rating
Cost overruns beyond target cost estimate	<p>BCC has estimated the base construction cost to deliver the scheme of £122.1m.</p>	<p>Additional liabilities of up to £9.15m more than BCC's estimate of £122.1m could be payable in the worst case scenario under the pain/gain sharing approach.</p> <p>BCC has made a provision for [REDACTED] in respect of its pain gain mechanism liabilities, and a general contingency of [REDACTED] during construction, which taken together is greater</p>	<p>A</p>

BCC's maximum risk exposure under the contract is £131.3m.

than Aecom's recommended range of £4m-£5m. This is in addition to the £10m of contingency included in the Target Cost estimate and the £10m lifecycle contingency in the financial model.

Aecom believes the Arena is deliverable within the Target Cost of £122.1m, but further design work is required to confirm the value engineering cost savings.

Additional Cost - HCA overage costs

There is a risk that BCC has to pay overage to the HCA as part of its agreement to sell part of the site to the University of Bristol. BCC have not provided for any overage in their projections.

Additional liabilities to the HCA would increase the borrowing requirement for the Arena.

We understand that BCC have agreed with the HCA that the overage requirement between HCA and BCC is discharged at the date of completion between BCC and the UoB and that this is subject to ongoing legal discussions between the relevant parties.



Source: KPMG analysis

3.5.3 Project cost reduction: alternative approaches

Although beyond the scope of this report, we note that BCC are considering a number of alternative approaches to reducing the cost of the Arena. These include reviewing certain design features of the Arena and lowering the specification requirements or improving engineering efficiency to lower costs for the current configuration.

If BCC would like to explore these options further, it should also consider any impact on the availability and terms of project funding sources which have been agreed to date, such as the LEP funding.

3.5.4 Additional sources of funding

We understand from the project team that there are potential sources of additional funding available to the Arena, including:

- additional CIL funding;
- funding for the Southern Access / A4 element of the build, including West of England Combined Authority (WECA) Early Investment Opportunities Fund; and
- RIF funding.

It is not possible to assess the likelihood or quantum of these funds, and note that putting the Arena forward for certain funding opportunities would likely involve prioritising it over other projects. We recommend BCC continues to explore all further avenues to access funding for the Arena.

3.6 Review of BCC proposed financing structure

We have provided below some preliminary observations on the financing strategy adopted in the forecasts for the project prepared by BCC. We have also noted areas in which the financing structure for the project may be able to be optimised further.

3.6.1 BCC financing strategy

Repayment profile: The repayment of the project debt (excluding the LEP tranche) is based on an annuity profile, including transfers to the MRP reserve account for the maturity loan. This requires a fixed level of debt service (nominal).

This is not aligned to the index-linked profile of the operator rent, giving rise to the temporary deficit during operations. Sculpting the repayment of debt to match the profile of the project cash flows would eliminate the requirement for an overdraft to maintain liquidity. This can be done by drawing a series of PWLB maturity loans to match the sculpted repayment profile or raising private finance with greater flexibility to specify a custom repayment profile.

MRP reserving: There is a cost of carry of approximately 0.21% - 1.00% p.a. (long-term) to retaining cash in the MRP reserve account instead of paying down the corresponding loan. This is financially inefficient and BCC may consider refinancing the maturity loan for debt with a more suitable repayment profile.

Interest rate risk and refinancing risk: The short-term finance during construction to minimise financing costs adds risk to the project forecasts by not locking in the long-term financing solution at financial close.

For example, changes to the PWLB regime may prevent BCC from refinancing at the end of construction (if not pre-booked) or interest rate rises over the construction period may increase financing costs from forecast. Given the operator revenues will be secure at financial close, BCC should consider entering into long term debt arrangements at this point rather than risk interest rate exposure during construction. We agree with BCC that interest rate exposure needs to be managed at a BCC level and not on a project specific basis.

We understand that the project is an investment within the wider investment portfolio and treasury management strategy for BCC. However, the ability to structure the project as an independent income-generating scheme without undue support from BCC should be considered.

3.7 Sensitivity analysis

We have sensitised the NPV of project cash flows after all BCC contributions with respect to key financial risks identified above (see Section 3.5) as well as quantifiable upside opportunities covered below. This analysis has been performed to indicate the extent to which the value for money case for the project is altered if key downside risks or upside opportunities not captured within the base case materialise.

The results of the sensitivity analysis are presented in Figure 26 below.

Figure 26: Key financial risks to the Arena project returns

NPV of project cash flows - sensitivities £m	Net surplus (nominal)	NPV (Project)	NPV (HM Treasury)
Base case			
Project - BCC contributions	1.3	(42.1)	(36.9)
Downside sensitivities			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(2) Arena construction costs + 20% on re-tender	(33.0)	(65.0)	(60.3)
(3) LEP income -10%	(7.8)	(45.1)	(40.1)
(4) Site disposal proceeds -£5m	(4.7)	(46.0)	(40.9)
(5) Arena residual value -10%	(5.3)	(43.2)	(38.2)
(6) Long-term borrowing costs + 0.50%	(17.6)	(45.6)	(36.9)
(7) Inflation -0.50%	(3.8)	(43.2)	(38.2)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(7)	[REDACTED]	[REDACTED]	[REDACTED]
Upside sensitivities			
(9) Arena construction cost - £8m further VE achieved	11.0	(35.6)	(30.2)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(11) Arena residual value +10%	8.0	(41.0)	(35.6)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: KPMG analysis

Given the nominal terms surplus of just £1.3m, small changes against BCC's assumptions have the potential to create an operating deficit and a requirement for further subsidy from the Council.

Some key observations from the sensitivity analysis are outlined below:

- If the contingencies applied by BCC are not required, in line with Aecom's expectation, then that drives the biggest positive impact on the Arena financial position and would enable it to withstand a number of the key project risks.
- Given the significant borrowing requirement of £145.0m from PWLB, small changes to BCC borrowing rates could leave the Council with a requirement to provide additional funding to the Arena.

4 Review of the economic case for the Temple Island Arena

As part of the scope of this report we have reviewed the economic case for the Arena on the Temple Island site as presented by AMION Consulting (“AMION”). Where relevant we have updated the analysis presented by AMION to provide a revised estimate of the economic impacts.

Our assessment includes a review of the estimation of the GVA and employment impacts generated through the construction and operational phases of the Arena, a review of the evidence in relation to the wider impacts that could be realised in terms of catalysed development going forward and a review of the evidence in relation to any social impacts that may be realised through any commitments given by the Arena Operator and developer.

4.1 KPMG review of the 2016 economic case for the Arena

4.1.1 Summary of the 2016 economic case

In 2013 BCC commissioned AMION to undertake an interim study to assess the potential economic impact of the proposed Arena. This considered the impacts in terms of capital expenditure, GVA, employment and key fiscal impacts associated with the uplift in business rates.

As part of the development of the Full Business Case for the arena project for submission to the West of England LEP in 2016, an updated economic impact assessment was produced by AMION.

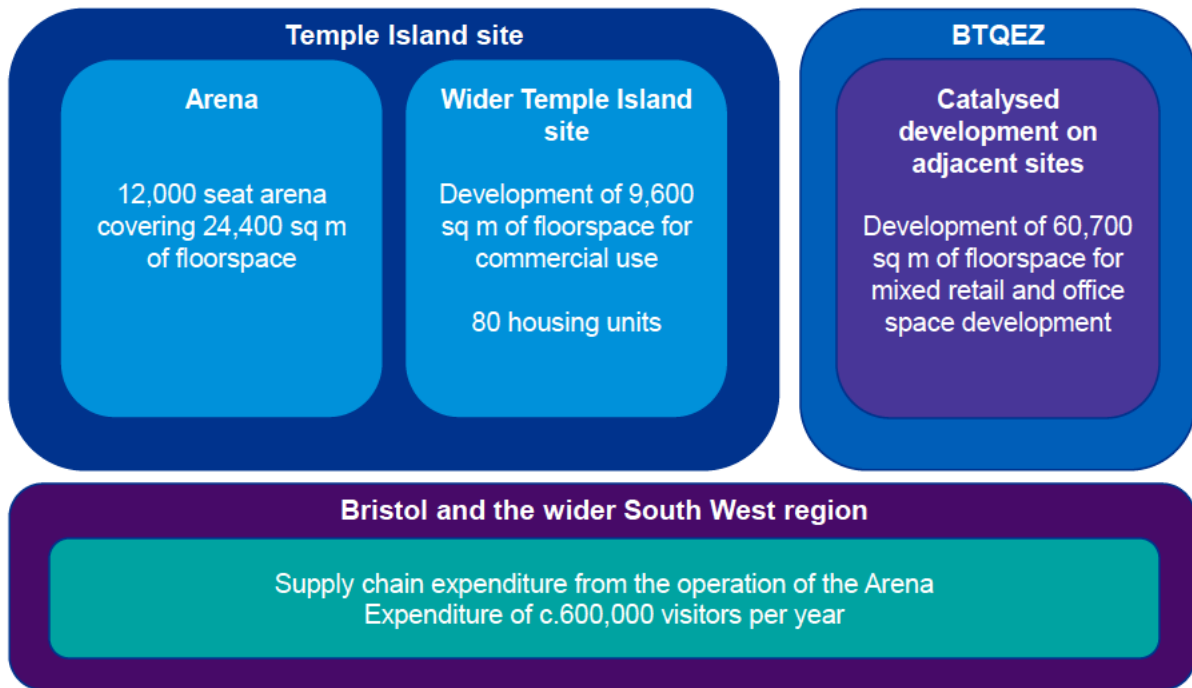
The AMION 2016 economic assessment, analysed the direct impact of the arena in terms of the developments in three locations:

1. the Arena itself;
2. the wider Temple Island site; and
3. adjacent sites in the BTQEZ where development may be catalysed as a result of the Arena.

In addition, the AMION report also considered the indirect impact that the Arena would have on Bristol and the wider South West region in terms of the wider supply chain and visitor expenditure.

The economic impacts that have been quantified in the AMION report arise as a result of the inputs associated with the Temple Island Arena development. The assumed inputs included within the AMION report are summarised in Section 4.1.2.

Figure 27: Summary of inputs associated with the Arena and BTQEZ site²⁵



Source: KPMG review of AMION Consulting (2016) Bristol Arena –Economic Appraisal – Revised Draft

Figure 28 summarises the results of the analysis of the economic impacts of the Arena project, detailed in the 2016 AMION report.

Figure 28: Estimates of the employment and GVA impacts from the Temple Island Arena, AMION 2016

		Arena only	Wider Temple Island development	Adjacent sites (BTQEZ)
Construction phase impacts	Gross temporary construction employment (FTEs)	88	25	111
	Net additional construction employment (FTEs)	42	0	0
	Net additional GVA per year	£38.8m	£2.5m	£2.1m
Operational phase impacts	Gross direct employment	160	0	0
	Gross indirect employment	857	625	3,747
	Total gross employment	1,017	625	3,747
	Total net additional employment	548	90	0
	Net additional GVA (discounted) ²⁶ per year	£298.3m	£135.2m	£143.3m

Source: AMION Consulting (2016) Bristol Arena –Economic Appraisal – Revised Draft

The underlying assumptions and methodology that were used to estimate the employment and GVA impact are set out in detail in Section 4.1.3.

²⁵ It should be noted that the 60,700 sq m of floorspace identified within the BTQEZ as having the potential to be catalysed by the Arena, is located on sites adjacent to the Temple Island site and does not cover the whole of the BTQEZ, which spans over 100 hectares.

²⁶ Accumulated over a 25 year period and discounted at 3.5% in accordance with HM Treasury guidelines

Using these estimated economic impacts and a cost estimate for the Arena of £98.9m, AMION estimated the BCR for the Temple Island Arena project

Figure 29 sets out the BCR and the net present value (NPV) presented in the 2016 AMION report.

Figure 29: Benefits, costs and BCR assessment over 25 years, AMION 2016

		Temple Island Arena	Total Arena and wider development
Benefits	Net ²⁷ discounted GVA – construction phase	£59.1m	£136.5m
	Net discounted GVA – operational phase	£298.3m	£576.8m
	Business rates	£3.1m	£16.3m
	Total benefits	£360.5m	£729.6m
	Costs	Total capital costs	£94.8m
	BCR	3.8:1	7.7:1
	NPV of the Temple Island Arena scheme	£265.7m	£634.8m

Source: AMION Consulting (2016) Bristol Arena – Economic Appraisal – Revised Draft

It should be noted that the assessment of the BCR above does not take full account of the additionality of the project. Specifically it does not factor in the deadweight of the project, i.e. what would happen if the Temple Island Arena is not brought forward on the Temple Island site.

In order to assess this, the estimated benefits were compared by AMION to a reference case based on the development on the site it was thought would occur if the Arena was not brought forward. This reference case was developed by AMION based on a BCC commissioned land evaluation study. It assumed that, in the absence of an Arena, the Temple Island site would be developed for commercial and residential uses and developments on the BTQEZ would also be brought forward. These would be brought forward over a longer time period (from 2021 onwards) than if the Arena were to be developed.

Deducting the estimated impacts of the developments assumed in the reference case, AMION estimated that the net additional GVA (in NPV terms over 25 years) of the Arena would be £72.5m, yielding a BCR of 1.8:1. Factoring in the wider developments, the net additional GVA would be £227.5m, yielding a BCR of 3.4:1.

4.1.2 Review of the key inputs into the 2016 AMION economic impact assessment

In the time period since the 2016 economic impact assessment was conducted by AMION, there have been a number of developments affecting the Temple Island site and wider BTQEZ. These affect the outputs assumed in the AMION economic assessment. In particular:

- **Wider Temple Island site:** The University of Bristol has purchased 19,158 sq m of the Temple Island site (i.e. the remaining site that would not be use for the Arena development). This is now being brought forward for development.
- **Adjacent sites in the BTQEZ:** The former Post Office sorting depot site has been purchased by the University of Bristol. This accounts for 11,250 sq m of the 60,700 sq m of the commercial floorspace available on adjacent sites in the BTQEZ. This is also being brought forward for development.

²⁷ The net impacts presented in the AMION report do not take into account the deadweight of the Bristol Temple project and therefore should not be considered as true net figures.

4.1.3 Review of the key assumptions and approach adopted in the AMION economic impact assessment

We have reviewed in detail the key assumptions and approach adopted by AMION to estimate the impacts and value for money in the economic impact assessment conducted (by AMION) in 2016. This includes considering the relevance of the assumptions given changes that have taken place since the assessment was prepared.

The findings of our review are detailed in Figure 30.

Figure 30: Review of the key assumptions and approach adopted by AMION

Area	Assumptions/approaches used in AMION report		KPMG appraisal
	Construction phase	Operational phase	
Arena impacts			
Total events	Not applicable.	AMION indicates that estimates for the total number of events per year were provided by the operator: — 96 events in year 1 of operation. — 107 events in year 2 of operation. — 122 events per year from year 3 of operation onwards.	We have consulted with the operator and the estimates used by AMION remain valid.
Visitors	Not applicable.	AMION indicates that estimates for the total number of attendees at events per year were provided by the operator. These were based on the number and type of events that are expected to be held each year.	We have consulted with the operator and the estimates used by AMION remain valid.
Visitor expenditure	Not applicable.	Visitor expenditure was estimated by AMION based on a benchmarking against average expenditure data available from VisitBritain through its domestic tourism survey. Visitor expenditure was estimated separately for those attendees expected to stay overnight compared to day visitors. However, the AMION report does not explicitly state the breakdown of day and staying visitors or the average expenditure per visitor that has been used.	Given the lack of detail available in the AMION report it is not possible to review the assumptions used. However, we consider the following assumptions appropriate: — 88% of attendees will be day visitors and the remaining 12% of attendees will stay overnight (based on VisitBritain data on the number of domestic tourism day and overnight trips to Bristol). — Average spend of day attendees will range from £39.14 to £44.32 depending on the type of event that visitors are attending ²⁸ (based on Destination Bristol data on average spend per trip for Bristol and VisitBritain data on average spend per trip by purpose for the South West). — Average spend for attendees staying overnight will be £164.74 (based on Destination Bristol data on average spend per trip for Bristol).
Multiplier effects	Scottish multipliers were used to estimate the indirect and induced impacts for both the arena and the wider development.	AMION has used Scottish multipliers to estimate the indirect and induced impacts for both the arena and the wider development.	Updated multiplier figures have been published by the Office for National Statistics (ONS) and the Scottish Government since the AMION analysis

²⁸ For those attending a concert the average spend used is £44.52 per trip, for those attending a live sports event it is £47.92 per trip and for those attending a public event such as a festival, exhibition or conference, the average day spend used is £39.14.

Multipliers of 1.6 and 1.5 were used for construction activities and professional service activities respectively. The multipliers were also adjusted to a sub-regional level based on guidance published by the Department Business, Energy, Innovation and Skills²⁹ (BEIS).

For the arena the following multipliers were applied:

- Direct employment: 1.5
- Indirect (off-site) employment: 1.4

For the wider development the multipliers applied were:

- Office: 1.4
- Retail and leisure: 1.4

was conducted. The updated employment multipliers are as follows:

- Construction activities: 1.9³⁰
- Professional service activities: 1.6³¹

For the operation of the arena, we consider it appropriate to use multipliers relating to SIC code 81. As a result the following multipliers have been applied in KPMG's revised economic analysis:

- Direct employment: 1.2
- Indirect (off-site) employment: 1.3

For the wider development the indirect multipliers for Retail and Food and Beverage service activities in KPMG's economic analysis are:³²

- UK indirect: 1.49
- Scottish Government Type I: 1.20
- Scottish Government Type II: 1.45

Assessment of additionality

Deadweight (the reference case)

Based on a land evaluation study commissioned by BCC, AMION assumed that if the arena development did not come forward the Temple Island site would instead be developed for mixed commercial and residential use. AMION anticipated that the construction of these developments would come forward over a relatively extended period (from 2024 onwards).

AMION assumed that if the arena development did not come forward the Temple Island site would instead be developed for mixed commercial and residential use. These developments would generate employment and GVA in the period from 2024 onwards.

The scope of our work does not include an assessment of the viability of alternative developments on the Temple Island site. We note that a significant amount of time has elapsed since the commissioning of the land evaluation study and wider changes will have impacted the development potential of the site (including, the University of Bristol's planned developments and the station redevelopment). The potential for alternative and associated developments if the arena were to not go ahead on the Temple Island site (the reference case), and any associated economic impact should be assessed. This represents the opportunity cost of proceeding with the arena on the site. KPMG has undertaken this assessment in our Phase 2 report.

²⁹ Formally the Department for Business, Innovation and Skills (BIS)

³⁰ SIC code 41: Construction of buildings.

³¹ SIC code 71: Architectural and engineering activities; technical testing and analysis.

³² Based on the average of the multipliers for SIC codes 47 and 56.

Leakage	<p>The rate of leakage of economic impacts out of West of England used by AMION was based on travel to work data taken from the 2001 and 2011 census data. The analysis assumes leakage rates of 10% and 12% for the construction sector and professional services sector respectively.</p>	<p>Based on travel to work data from the 2011 census, for the impacts associated with the arena a leakage rate of 6.9% was applied by AMION to direct employment and 7.1% for indirect employment.</p> <p>For the impacts associated with wider development, a leakage rate of 11.6% was assumed by AMION for office developments and a rate of 7.7% was assumed for retail and leisure developments.</p>	<p>Construction phase</p> <p>Construction activity for the arena will be undertaken in Bristol. As a result we expect that the majority of direct economic impacts, will be retained in Bristol and the West of England. However, we note that contractor Buckingham is based outside of the West of England and therefore if some activity in relation to the construction may take place at the headquarter site. We would assume that there will be a low level of leakages.</p> <p>The UK Government Additionality Guide³³ provides guidance on levels of leakage. The additionality guide provides a low rate of leakage of 10%.</p> <p>Operational phase</p> <p>Given that the arena is in Bristol all direct impacts associated with its operation will be generated in Bristol as this is where the activity takes place, irrespective of the home geographic location of the employees.</p> <p>There will be leakage of indirect impacts, however, given that suppliers to the arena are likely to be based across the UK (and potentially internationally). However, these leakages are not associated with the travel to work distance of direct employees of the arena but dependent on the geographic location of suppliers.</p> <p>The level of leakage outside of the UK economy can be captured in the analysis through the use of UK economy economic multipliers (which</p>
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³³ English Partnerships (2008) Additionality Guide: A standard approach to assessing the additional impact of interventions.

Displacement	<p>A displacement rate of 10% was used by AMION, which suggests relatively low levels of displacement.</p> <p>For the wider development on the Temple Island and BTQEZ sites, AMION assumed that there are relatively long time periods over which construction activity is expected to take place and therefore relatively low levels of displacement from other major construction projects across the West of England and the UK.</p>	<p>The AMION report indicates that displacement levels were derived from the ERS Research and Consultancy report 'Bristol Entertainment Venues Study'. However, the approach used to derive the rates assumed is unclear.</p> <p>For the arena development displacement rates of 5% for direct employment and 20% for indirect (off-site) employment were used.</p> <p>For the wider development, a displacement rate of 50% for both office and retail and leisure developments were applied in the analysis</p>	<p>take account of imports). To capture leakages outside of Bristol, it is appropriate to use regional economic multipliers. These can be based on location quotient analysis.</p> <p>Alternatively, the UK Government Additionality Guide³⁴ provides guidance on levels of leakage. A low to medium level of leakage (which may be considered reasonable for the Arena) assumes leakages of between 10% and 25%. The midpoint of 17.5% could be used as a conservative estimate of leakage.</p> <p>The ERS study suggests that other venues in Bristol did not anticipate significant competition from the arena in terms of booking acts and pulling away audiences. It was reported that this is because the arena and existing venues will, in general, accommodate of different segments of the events market, with the arena likely to book larger acts in comparison to the existing Bristol venues.</p> <p>This view was confirmed in our interview with the Arena Operator. It was stated that the main competitors for the Temple Island Arena would be other large UK Arenas, in particular those in Cardiff, Birmingham and London. It was considered that the Temple Island Arena will unlock the market in the South West of England, for example Devon and Cornwall, which are currently not served by a large local arena. The catchment area for audiences would likely cover a wide area around Bristol, extending to the South West and West of England.</p> <p>Overall this suggests low levels of displacement for the arena in operational phases, in line with AMION's assumed levels. This may be conservative, however, given that economic impact assessments conducted for other events</p>
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³⁴ English Partnerships (2008) Additionality Guide: A standard approach to assessing the additional impact of interventions.

suggest similar if not lower levels of displacement for the indirect impacts³⁵.

For the wider development catalysed, we have assumed a displacement rate of 50%. The developments that BCC considers will be catalysed are retail and leisure developments. As a result, there is likely to be a degree of displacement of economic activity from other retail and leisure businesses within the region. We have therefore applied a medium displacement factor, sourced from English Partnerships (2008) *Additionality Guide: A standard approach to assessing the additional impact of interventions*.

Wider regeneration

Wider Arena impacts	Not applicable.	It was assumed that in addition to the direct impacts generated through the arena, the arena would catalyse the development of 9,600 sq m of commercial floorspace, and the building of 80 housing units on the wider Temple Island site.	The University of Bristol has purchased 19,158 sq m of the Temple Island site (i.e. the remaining site that would not be use for the arena development). Therefore, an output of the arena will not be wider development of 9,600 sq m of commercial floorspace or 80 housing units on the wider Temple Island site as assumed in the AMION report. We have set out our appraisal of the wider developments in detail in Sections 4.2.3 and 4.2.4 below.
Adjacent sites	Not applicable.	The AMION report identified a number of sites adjacent to the Temple Island site where development could also be catalysed as a result of the construction of the arena. Overall, these adjacent sites consist of 60,700 sq m of commercial floorspace, of which it was assumed that 52,780 would be brought forward as a result of the arena.	The former Post Office sorting depot site has been purchased by the University of Bristol. This accounts for 11,250 sq m of the 60,700 sq m of the commercial floorspace available on adjacent sites in the BTQEZ. Therefore, an output of the arena will not be the development of the Post Office sorting depot site. Developments may be catalysed by the arena on the wider site. Our assumptions in relation to this are set out in detail in Section 4.2.3.

³⁵ In *KPMG (2017) Colston Hall economic impact assessment* and *KPMG (2016) Great Britain: Flying High. Economic impact study of Land Rover BAR and the Louis Vuitton America's Cup World Series Portsmouth 2016*, the reported levels of displacement for off-site visitor spending were 16% and 11% respectively.

<p>GVA per employee</p>	<p>GVA per employee figures used in AMION's analysis were based on data from the ONS. Specifically, for the construction phase, GVA per employee of £62,500 and £70,000 for the construction sector and professional services sector respectively were used in the analysis.</p> <p>Figures were discounted at 3.5%.</p>	<p>For the operational phase of the project, GVA per employee for the Temple Island Arena was assumed by AMION to be:</p> <ul style="list-style-type: none"> — £45,000 for the arts, entertainment and recreation sector. — £25,000 for retail and accommodation and food service sectors. <p>For the wider development, the following GVA per employee figures were used:</p> <ul style="list-style-type: none"> — £68,500 for office developments (based on a composite of office based sectors³⁶). — £25,000 for leisure developments. 	<p>An alternative approach to assessing the GVA impacts, based on financial projections available for the arena, may produce a more accurate assessment of the GVA impacts.</p> <p>Construction phase</p> <p>Data is available relating to the estimated construction costs of the arena. Based on the ratio of output to GVA for the relevant sector this can be used to derive GVA estimates and then employment estimates based on the GVA per employee figures available from the ONS for the relevant sectors. The relevant GVA per employee figures are:</p> <ul style="list-style-type: none"> — £76,640 for construction³⁷ — £52,906 for architectural and engineering³⁸ <p>These figures are relevant for the year 2014 and therefore differ from the figures applied by AMION which were an average of data from 2008 to 2012.</p> <p>Operational phase</p> <p>Financial projections are available from the operator relating to the operation of the arena. These data can be used to estimate the direct GVA of the arena when operational. The financial projections also contain information on the expected supply chain costs. Supply chain costs can be converted into GVA estimates by applying the ONS GVA to output ratios for the relevant sectors. Indirect and induced effects can consequently be estimated by applying the relevant multipliers for the sector of activity. Once GVA to output ratios have been applied, employment impacts can be estimated by dividing GVA by the appropriate GVA per employee figures. Indirect and induced employment effects</p>
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³⁶ Based on 2007 SIC sections J, K, L, M and N.

³⁷ Based on SIC code 41: Construction of buildings

³⁸ Based on SIC code 71: Architectural and engineering activities: technical testing and analysis.

are estimated by applying the relevant sector employment multipliers.

Wider developments

The GVA per employee figures used by AMION in the estimation of wider impacts have been updated by the ONS. The updated GVA per employee figure for retail and food and beverage service activities is £36,145³⁹.

Employment densities	Not applicable.	<p>Employment densities, sourced from the HCA⁴⁰, were used by AMION to estimate the potential levels of employment generated as a result of developments on the Temple Island and BTQEZ sites.</p> <p>The following employment densities were used: — Office: 12 sq m per FTE — Retail and food and beverage: 19 sq m per FTE.</p>	<p>The HCA has updated the employment density figures that were used by AMION. Therefore, the updated figures are⁴¹. Office: 10 to 13 sq m per FTE Retail and food and beverage: 15 to 20 sq m per FTE.</p>
Occupancy rates	Not applicable.	<p>AMION assumed a 95% occupancy rate for wider developments in the BTQEZ. The report does not contain evidence to support this assumption.</p>	<p>Evidence to support the assumed occupancy rate is required.</p> <p>Data from the West of England Combined Authority indicates that there was a Bristol wide retail vacancy rate of 6.7% as of July 2017⁴². This equates to an occupancy rate of 93.3%.</p>

Source: KPMG review of AMION consulting (2016) Bristol Arena – Economic Appraisal – Revised Draft

³⁹ Based on average of SIC codes 47 and 56.

⁴⁰ Home and Communities Agency (2010) Employment Densities Guide, 2nd Edition.

⁴¹ Home and Communities Agency (2015) HCA Employment Density Guide, 3rd Edition.

⁴² West of England Combine Authority (2017) West of England Quarterly Economic Bulletin: July 2017.

4.2 KPMG's revised economic impact assessment

Based on the findings of our review of the key assumptions and approach adopted by AMION to estimate the economic impacts associated with the proposed arena, we have revised the assessment to re-estimate the GVA and employment impacts. In particular, the economic case has been revised to reflect:

- changes to key project inputs, including the capital cost of constructing the Arena and the development potential of adjacent sites;
- updates to the external data used in the analysis (e.g. ONS economic multipliers and HCA employment densities); and
- alternative methodological approaches for estimating the impacts.

Our assessment is based on the costs and economic impacts associated with the proposed arena going forward and the value for money of any additional funding required for the project. BCC's decision of whether to proceed with the proposed Arena should be made on the basis of the future costs and benefits of the project, therefore we have not included costs or benefits already incurred/generated in relation to the Temple island Arena project in our analysis. This is in accordance with the HM Treasury Green Book, which states that any sunk costs, i.e. those already incurred, should be excluded from an appraisal⁴³.

Our revised analysis covers:

- the economic impact associated with the construction phase of the arena;
- the economic impact generated through the operation of the arena, including the supply chain (indirect) impacts and induced impacts;
- the impact of visitor spending; and
- the potential wider catalytic impacts in terms of wider developments on adjacent sites.

Our analysis of each of these individual impacts are set out in Sections 4.2.1, 4.2.2 and 4.2.3 below.

The total economic impact of the arena is the sum of all of these areas, however, it should be noted that as impacts from construction are temporary, these are not usually included in estimates of total economic impact.

Our revision of the analysis of the economic impacts has been carried out in accordance with the principles set out in the HM Treasury Green Book, and in some case our approach differs from that used by AMION. We have highlighted where this is the case.

These economic impacts are assessed on an annual basis and in Net Present Value (NPV) terms over both a 25 year period (to align with the AMION analysis and the useful asset life of the arena asset identified by BCC).

Our updated estimates of the total economic impact of the arena on the Temple Island site are used in Section 4 to estimate the NPV, BCR and the overall value for money of the Arena.

⁴³ HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation.

4.2.1 Economic impact associated with the construction phase of the arena

The total forecast cost for the construction of the Arena is £156.3m⁴⁴, of which:

- £122.1m are direct costs generated through the contract with Buckingham.
- £34.2m are costs that will be/ have been incurred by BCC in commissioning the construction of the Arena, this includes, but is not limited to, costs related to the commissioning of architects to design the Arena and the cost associated with the BCC arena project team bringing the project forward. £12.2m of the construction related costs have already been borne by BCC⁴⁵. Therefore, these costs (and their associated economic impact) have already been realised and are not considered in our analysis. It also includes BCC risk contingencies above those included in the Target Cost

While the spending associated with the construction of the arena will generate economic impact, this impact will only be generated for a limited time, over the construction period. At present it is expected that construction of the Arena will take approximately two years, commencing in 2019 and completing in 2021.

In order to estimate the economic impact associated with the construction phase of the arena development, we have adopted a different approach to AMION. We have applied the ratio of GVA to output for the construction sector to the total construction cost going forward, resulting in an estimate of the direct GVA generated directly through the construction of the Arena.

The indirect and induced GVA has been estimated by applying the relevant ONS multipliers for the construction industry. Similarly, the employment impact has been estimated by dividing the direct GVA by the relevant GVA per employee for the construction industry. The indirect and induced employment is estimated by applying the relevant employment multipliers. We have applied the assumption used in the AMION report, that 10 person years of employment is equivalent to one FTE. Therefore employment figures have been presented in annual FTEs terms, over a 10 year period.

Using the approach and assumptions detailed in the KPMG review column of Figure 30 above, we estimate the construction of the arena could generate, in gross terms, £134.1m in GVA and 176 FTE jobs for the construction period. Figure 31 below sets out the estimated GVA and employment impacts. Impacts have been assessed in both gross and net terms, taking into account displacement and leakage factors⁴⁶.

Figure 31: Gross and net temporary GVA and employment impacts generated through the construction of the arena

	GVA	Employment (FTEs)
Direct (gross)	£60.6m	83
Indirect (gross)	£50.2m	70
Induced (gross)	£20.3m	23
Total (gross)	£134.1m	176
Total (net)	£107.3m	141

Source: KPMG analysis

⁴⁴ Construction cost for Arena only, excluding the cost of construction of additional car parking facilities.

⁴⁵ As of March 2017. This figure excludes the purchase of the Temple Island site funded by the HCA grant.

⁴⁶ Our assumptions on the level of displacement and leakage associated with the construction of the Arena are set out in Figure 30 above.

4.2.2 Economic impact generated through the operation of the Arena

4.2.2.1 Economic impacts of the Arena

GVA

As the Arena Operator prepared a Profit and Loss Account for the Arena as part of the Full Business Case submitted to the West of England LEP, we are able to use the financial information it contains to conduct a more detailed assessment of the potential economic impacts of the operation of the Arena.

Using this financial information we have estimated the direct GVA associated with the operation of the arena, using the production approach⁴⁷.

Indirect GVA will also be generated through supply chain expenditure related to the operation of the arena and induced GVA will be generated by direct and indirect employees' wage spending. We have estimated these impacts by using the profile of supplier costs as set out in the Arena Operator's Profit and Loss account. Tier 1 supplier indirect GVA has been estimated by applying the ratio of GVA to output to the supplier costs. Based upon these estimates, the indirect and induced GVA has been estimated using ONS and Scottish Government multipliers. This approach differs to the one adopted by AMION.

Over 90% of the total tier 1 ongoing supplier costs associated with the arena are in four sectors, these sectors are:

- Office administrative, office support and other business support activities;
- Food and beverage service activities;
- Services to building and landscape activities; and
- Electric power generation, transmission and distribution.

The remaining supplier spending is split across a number of industries including, activities of head offices; management consultancy activities, employment activities and retail trade, except of motor vehicles and motorcycles.

The estimated annual gross direct, indirect and induced GVA of the arena for years 1, 2, and 3 onwards are detailed in Figure 32 below. This figure also presents an assessment of the GVA generated in Bristol and the West of England.

Figure 32: Gross GVA generated through the operation of the Arena

	Year 1	Year 2	Year 3 onwards
Direct	£2.4m	£2.8m	£3.1m
Indirect	£2.2m	£2.4m	£2.4m
Induced	£0.9m	£1.0m	£1.2m
Total	£5.5m	£6.2m	£6.7m
<i>Of which, is generated in Bristol</i>	<i>£4.5m</i>	<i>£5.1m</i>	<i>£5.5m</i>
<i>Of which is generated in the West of England (including in Bristol)</i>	<i>£5.2m</i>	<i>£5.9m</i>	<i>£6.3m</i>

Source: KPMG analysis

⁴⁷ Using the production approach, GVA is estimated as output less intermediate costs. See ONS (2010) Measuring the economic impact of an intervention or investment: Paper 1.

A certain degree of the total GVA will not be retained within Bristol or the West of England region. Using BEIS⁴⁸ sub-regional and regional leakage figures for capital projects⁴⁹, we have estimated the GVA that could be retained within Bristol and the West of England. Our figures are presented in Figure 32 above.

The analysis presented in Figure 32 is in gross terms. We have also considered the economic impact of the Arena in net terms, i.e. taking into consideration the leakage and displacement of the impact generated through the operation of the Arena. Our underlying assumptions with regards to these factors are set out in Section 4.1.3. We have also applied a social time preference rate (STPR) discount rate of 3.5% , based on HM Treasury Green Book guidance, in order to estimate the GVA impacts in NPV terms for a 25 year timeframe. The results are set out in Figure 33 below.

Figure 33: Net NPV GVA impacts generated in Bristol through the operation of the Arena

	NPV GVA impact
Over 25 year period	£75.4m

Source: KPMG analysis

Employment

The Arena Operator has indicated that it expects to employ on a permanent basis 37 full-time equivalent (FTE) individuals for the ongoing operation and management of the Arena.

In addition, temporary/ part-time staff will be employed on event days in roles such as security, serving food and beverages and stewarding. The operator estimates that on these event days approximately 400 additional persons will be employed on site. Assuming that each person works a full day of employment⁵⁰ when converted to FTE terms, there will be an additional 105 to 123 FTE employees directly hired per year, based on the forecast number of events per year.

Therefore, in total the Temple Island Arena will directly create 142 FTE jobs in the first year, increasing to 160 FTE jobs from year three onwards.

The supply chain spending and the wage spending of employees will also generate indirect and induced employment, respectively⁵¹.

The estimated annual direct, indirect and induced employment (in FTE terms) of the Arena for years 1, 2, and 3 onwards are detailed in Figure 34 below.

Figure 34: Gross employment in FTE terms generated through the operation of the Arena

	Year 1	Year 2	Year 3 onwards
Direct	142	154	160
Indirect	62	68	70
Induced	9	9	10
Total	213	232	240

Source: KPMG analysis

Of the total jobs generated through the operation of the Arena, we estimate that in the first year 186 net FTE jobs will be based in the West of England, rising to 203 net FTE jobs in the second year and net 210 FTE jobs from year three onwards.

⁴⁸ Formerly BIS.

⁴⁹ Leakage figures are taken from BIS (2009) Research to improve the assessment of additionality.

⁵⁰ Through consultation with the Arena operator we know that the number of hours that people will work on event days ranges from 4-12 hours. However, we were informed that the majority of employees will work 6 hours or a full work day equivalent. We have therefore assumed that all show day employees work a full 7 hour work day.

⁵¹ We have estimated these impacts by using the profile of supplier costs as set out in the Arena operator's profit and loss accounts. The supplier costs have been converted to a direct GVA estimate using the relevant GVA to output ratio for each industry. Using the estimated direct GVA and the corresponding GVA per FTE for each industry, tier 1 indirect employment has been calculated. Wider supply chain indirect and induced employment has then been estimated by applying ONS and Scottish Government employment multipliers.

4.2.2.2 Economic impacts from attendee spending in the wider economy

The Arena Operator has estimated that more than half a million people will attend events at the Arena every year. These attendees are likely to spend within the local economy, generating additional GVA and employment impacts.

Our estimation of the economic impact of this attendee spending in Bristol is based on:

- An estimate of the proportion of Arena attendees that will be day and overnight visitors. This is based on data on domestic tourism trips to Bristol⁵² from Destination Bristol and VisitBritain⁵³.
- Estimates of average attendee spending, by type of spend, (e.g. food and drink, retail, transport, accommodation) for day and overnight visitors. This is based on domestic tourism data from Destination Bristol.
- Conversion of estimated attendee spending to direct GVA, based on the relevant sector level GVA to output ratio for the different categories of attendee spending.
- Estimates of indirect and induced GVA based on applying the relevant sector level economic multipliers to the direct GVA associated with different categories of attendee spending.
- Estimates of employment impacts based on the estimated GVA impacts and the average GVA per FTE for each relevant sector.

Figure 35 sets out our estimates of Arena attendee spending and the associated GVA and employment impacts for years 1, 2, and 3 onwards.

It should be noted that this additional spending and the relevant economic activity (in terms of GVA and employment) may be with established business in Bristol or new businesses established to cater for the increased demand. We do not analyse the distribution across businesses. We take care to avoid double counting of the impacts associated with attendee spending.

We estimate that additional attendee spending will generate between 550 and 647 gross FTE jobs. The employment generated through attendee spending is likely to be concentrated in the retail and accommodation and food services sectors. In the West of England, the majority of jobs in these sectors are part-time. According to data available from the ONS⁵⁴, 59% of those employed in the retail sector in the West of England are employed on a part-time basis. Meanwhile the equivalent figure for the accommodation and food services sector is 58%.

A proportion of the attendee spending associated with their visit to the Arena will be spent outside of Bristol and the West of England region, for example on transport. This represents a leakage of the spending, and thus economic impacts associated with the spending, out of the local economy. The gross impacts should be adjusted for this. As set out in Figure 30 we consider it reasonable to assume a leakage level of 17.5%.

It is likely that a proportion of the attendee spending will displace other spending that would take place if the attendees were not to attend events at the Arena. It is possible that if they were not to attend an event at the Temple Island Arena, the individuals will attend an alternative event or undertake an alternative activity. Based on our review of the AMION assumption around the level of displacement

⁵² The figure used is for all domestic tourism trips to Bristol and is not specific for trips where the intended purpose is to attend a live event or conference/ exhibition. As a result it is possible that the proportion of day to overnight trips is either over- or under-estimated, dependent on the relative catchment areas of all visitors to Bristol, compared to the catchment area for Arena attendees.

⁵³ VisitBritain (2016) The GB Tourist: Statistics 2015.

⁵⁴ Office for National Statistics (2017) Regional level employment (thousands) by BIG (public/private sector split).

for attendee spending, we consider that assuming a displacement level of 20% for this spending is reasonable.

Taking both displacement and leakages into account, Figure 35 also summarises our estimates of the net GVA and employment impacts at a West of England level, generated as a result of attendee spending associated with their visit to the Arena.

Figure 35: GVA and employment impacts associated with Arena attendee spending

	Year 1	Year 2	Year 3 and onwards
Total attendees	509,200	571,100	599,655
Estimated attendee spending	£30.2m	£33.9m	£35.6m
Gross GVA impact	£28.6m	£32.1m	£33.7m
Gross total employment impact	550	617	647
Net GVA impact	£15.6m	£16.9m	£17.1m
Net employment impact	344	385	405

Source: KPMG analysis

4.2.3 Catalytic economic impacts associated with wider developments

In the Full Business Case prepared for the Arena and the AMION 2016 economic impact assessment it was suggested that the proposed development of the arena on the Temple Island site may catalyse wider developments, both on the remaining space on the Temple Island site as well as at adjacent sites in the BTQEZ.

To inform our assessment of the potential for wider developments to be brought forward as a result of the Arena development we have reviewed the latest information relating to the relevant sites and have consulted with stakeholders at BCC, University of Bristol, Destination Bristol and at the BTQEZ to understand how the Arena may drive forward wider investment in developments in the future.

We recognise that the proposals for the Arena plans may have already had an impact in terms of encouraging inward investment to the BTQEZ by signalling to developers that the enterprise zone is a key future development in Bristol. In addition there are infrastructure works around the Temple Island site which we have been informed by BCC representatives that the proposed Arena development supported the business case for, for example the St Phillips footbridge. However, our review considers the potential for further developments coming forward in the future.

As noted above, as part of our review we consulted with representatives from a range of stakeholders. In general, the view was that there is limited scope for the Arena to further catalyse development in the surrounding area, given its nature and the plans already underway. It was suggested that the Arena development will not have a substantial impact in directly driving investment into the enterprise zone. Other key developments, such as the new University of Bristol campus, were considered to have clearer and stronger links with the vision and purpose of the BTQEZ and would be more likely to attract developers and businesses into the enterprise zone. It was noted that the Arena could potentially encourage more development by attracting retail and food businesses to the BTQEZ. This type of development is currently considered to be lacking in the enterprise zone and is thought to be important in the public perception of Temple Quarter as a new city district. However, when compared to the high tech, creative and digital, low carbon and professional services sectors which the BTQEZ is focused on, retail and food businesses tend to have lower economic impacts in terms of GVA and lower levels of skilled jobs. The GVA and employment driven by Arena attendees' retail, food and drink and leisure spending is already captured in our analysis in Section 4.2.2.

Furthermore, when the updated business and economic cases were produced by AMION in 2016, it was generally thought that securing the arena on the Temple Island site would help to unlock the redevelopment of the Temple Meads station. In turn, this would improve access to the BTQEZ overall and more specifically the Sorting Depot site. However, since these reports were prepared, the Temple Meads station redevelopment plans have been progressed by BCC with the support of Network Rail,

HCA, and the West of England LEP. Therefore, the Arena specifically is not a driving force behind the redevelopment of Temple Meads station. However, it should be noted that given the large footfall and the potential impact this footfall would have on the station, the Arena may influence decisions regarding the redevelopment of the station, for instance decisions concerning the location of station entrances and exits.

The AMION economic impact assessment identified 60,700 sq m of development floorspace on adjacent sites in the BTQEZ which could be developed. Of this, it was assumed that 52,780 sq m of development would be catalysed by the arena. The sites that were considered as being catalysed by the Arena development consisted of:

- the remaining floorspace on the Temple Island site;
- the Post Office Sorting depot site; and
- a selection of sites surrounding Temple Meads Station.

The University of Bristol has since purchased the remaining space on the Temple Island site and the Post Office Sorting depot site. These sites will be developed irrespective of whether the arena development goes ahead or not. Therefore, we consider that the arena will not play a role in catalysing the development of these sites going forward.

The remaining adjacent sites for which it was assumed that the Arena would catalyse development in the area surrounding Temple Meads Station, covering a total of 49,450 sq m commercial floorspace.

We have consulted with BCC to gain an understanding of how the Arena may catalyse development of these remaining adjacent sites. Given that Temple Meads Station will be redeveloped, it is considered that the station redevelopment will be the principal driver of development of these sites rather than the Arena. This is particularly the case for the floorspace designated for office space (34,550 sq m). The remaining 14,900 sq m is designated by BCC for retail space and representatives from BCC thought that the Arena may catalyse parts of this development.

BCC has identified 2,110 sq m of retail space on adjacent sites that it considers could be catalysed primarily as a result of increased footfall from attendees travelling to the Arena. We have used the floorspace identified by BCC and have assessed the potential economic impact associated with development of this floorspace, assuming:

- a 93.3% occupancy rate for the developments⁵⁵;
- the space will be developed for retail use and, therefore, there will be one FTE per 17.5 sq m (based on HCA employment densities for retail space of 15 to 20 sq m per FTE)⁵⁶; and
- a displacement factor of 50%⁵⁷.

The results of our analysis are set out in Figure 36 below.

⁵⁵ The occupancy rate has been based upon information provided in West of England Combine Authority (2017) West of England Quarterly Economic Bulletin: July 2017. More detail of what the occupancy rate refers to is set out in Figure 30.

⁵⁶ Home & Communities Agency (2015) Employment Density Guide, 3rd edition.

⁵⁷ The developments that BCC considers will be catalysed are retail and leisure developments. As a result, there is likely to be a degree of displacement of economic activity from other retail and leisure businesses within the region. We have therefore applied a medium displacement factor, sourced from English Partnerships (2008) Additionality Guide: A standard approach to assessing the additional impact of interventions.

Figure 36: Analysis of the employment and GVA associated with the development of adjacent sites to the Arena, as identified by BCC

Total floorspace (sq m)	Occupied floorspace (sq m)	Net employment (FTEs)	Total net GVA per year (£m)
2,110	1,969	56	£3.5m

Source: KPMG analysis

Based on the information provided by BCC and gathered through our research, we estimate that the wider development catalysed by the Arena would generate net 28 FTE jobs and £1.8m in net GVA per year. This is primarily through the development of retail space on sites adjacent to the Temple Island site, driven by an increase in footfall in the surrounding area.

It is likely that in the absence of the arena that the development of these adjacent sites will come forward, albeit potentially at a slower rate if the Arena did not proceed. In AMION's 2016 report, it was assumed that in the absence of the arena, the profile of wider development would come forward over a longer time period. Based on views from BCC, we have applied this same profile of development floorspace in our analysis however, we have assumed that development would be undertaken two years later. This was agreed with BCC and reflects the current status of plans for the arena, as well as the Temple Meads station masterplanning. Figure 37 below sets out the estimated profile of development and associated net GVA impact.

Figure 37: Profile of floorspace and GVA of the catalysed wider developments associated with the Arena and the reference case

	2023/24	2024/5	2025/6	2026/7	2027/8 onwards	Total
Cumulative catalysed floorspace brought forward						
Arena	832	1,189	1,969	1,969	1,969	1,969
Reference case	832	1,057	1,057	1,414	1,969	1,969
Cumulative net GVA per year						
Arena	£1.5m	£2.1m	£3.5m	£3.5m	£3.5m	£14.2m
Reference case	£1.5m	£1.9m	£1.9m	£2.5m	£3.5m	£11.3m
Total additional net GVA per year from Arena	£0	£0.2m	£1.6m	£1.0m	£0	£2.9m

Source: KPMG analysis based on information provided by BCC

Overall, we estimate that wider developments catalysed as a result of the Arena will generate an additional £2.2m of net GVA in present values, when compared to the reference case, i.e. the arena not being located on the Temple Island site.

It should be noted that the extent to which the Arena will catalyse additional economic activity within the local economy through attendee spending, such as spending in restaurants and bars, is captured in our analysis in Section 4.2.2. This economic activity may take place in the catalysed wider developments on the sites adjacent to the Arena or elsewhere in Bristol.

The Arena will increase Bristol's cultural and corporate hospitality offers. We discussed with Destination Bristol and BCC representatives, if this may impact on business location decisions and it was considered that although this could be a factor, it is unlikely to materially change or affect a location decision. Therefore, catalytic impacts to reflect this should not be included in the analysis.

We note, that although the Arena may not deliver the wider catalytic impacts previously estimated there are likely to be some risks associated with not proceeding with the Arena. In consultation with stakeholders, it was noted that a decision not to proceed may give the impression to investors, developers and the general public, that BCC is not confident in the Temple Island site. It was suggested that this may have some negative impacts in terms of developer confidence in any large scale BCC led capital plans and future development of the Temple Island site and across Bristol. This may hamper the realisation of economic benefits from development.

4.2.4 Reference case

In Figure 30 we have set out our assessment of AMION's view of the deadweight of the Arena project (i.e. the likely development that would take place on the Arena site if the arena development were not to proceed). The reference case should be used as a counterfactual scenario when assessing the relative value for money of the Arena project.

In its economic impact assessment, AMION uses a reference case for the Temple Island site based on a land evaluation study commissioned by BCC. Without the Arena development on the Temple Island site, it was considered that development of 30,660 sq m of office development and 470 housing units would be brought forward on the site.

Based on a number of key changes since the AMION report was produced, particularly the University of Bristol's purchase of part of the Temple Island site and station redevelopment plans, we consider that a revised reference case is more appropriate. We consider it reasonable to assume that development of the site would occur in the absence of the arena on the Temple Island site.

The scope of our work does not include an assessment of the viability of alternative developments on the Temple Island site. However, we note that a significant amount of time has elapsed since the commissioning of the land evaluation study and wider changes will have impacted the development potential of the site (including, the University of Bristol's planned developments and the station redevelopment). This represents the opportunity cost of proceeding with the Arena on the site. The potential impact of alternative developments are assessed in our report – Assessment of alternative development plans for the Temple Island site.

4.3 Business rates

In addition to the rental revenue that BCC will receive as a result of leasing the Arena, BCC will also receive business rates income from the Arena.

As the Arena will be built in an Enterprise Zone or Area, we understand from BCC that it will retain 49% of the business rates, with a further 50% going to the West of England EDF and the remaining 1% to the Fire Authority.

Since the AMION report was prepared, BCC has re-assessed the rateable value of the Temple Island site using Valuation Office estimates. The new BCC estimates suggest that BCC could receive £0.4m per annum in business rates. Based on the allocations of this business rate income, as set out above, this would result in £0.2m a year being allocated to the EDF and £0.2m to BCC.

As set out in the March 2016 Cabinet Paper⁵⁸, BCC agreed to evenly split any on-off rebasing of the rateable value of the Temple Island site with the operator. This was an update on the Operator bid position, not previously covered. Under the contract, rate increases will remain an Operator risk. As a result of this decision, under the new business rates estimates, BCC would receive £0.1m in business rates per annum.

Over a 25 year appraisal period, BCC estimates that £10.8m would be received in business rates from the Arena, of which BCC would retain £3.5m. These estimates do not account for inflation or discount the values based on a STPR discount rate.

⁵⁸ Bristol City Council (2016) Cabinet – 01 03 2016 Executive Summary of Agenda Item 8.

4.4 Social impacts

4.4.1 Social Return on Investment

We have analysed and quantified the impact of the Bristol Area in economic value and employment terms, however, as identified in Section 4.4.1 there will also be social impacts associated with the Arena development. In order to understand the potential social impacts that contribute towards the value for money of the Arena, we have reviewed the analysis presented by AMION and provided an assessment drawing on the principles outlines in the Social Return on Investment (SROI) framework developed by Social Value UK.

SROI is a framework for measuring and accounting for a broader concept of value, which not only captures the economic costs and benefits but also the social impacts⁵⁹. The framework provides guidance on how to identify the social and economic outcomes associated with the relevant actions or activities and how to attribute a monetary value to them. SROI assessments can be both evaluative i.e. conducted retrospectively and based on actual data on outcomes, and forecast, to predicting value if activities meet the intended outcomes.

Guidance produced by Social Value UK⁶⁰ sets out the following steps for conducting an SROI assessment:

1. Identify inputs: identify what stakeholders are contributing in order to make the outcomes and impacts possible, this may be resources such as time and money.
2. Value inputs and activities: this step involves assigning a monetary value to non-monetised inputs, such as time. This may involve using proxies, such as average wages, as a proxy for the value of a non-monetised inputs.
3. Forecasting SROI: this involves forecasting the value of social impacts over time based on the expected quantity of inputs.

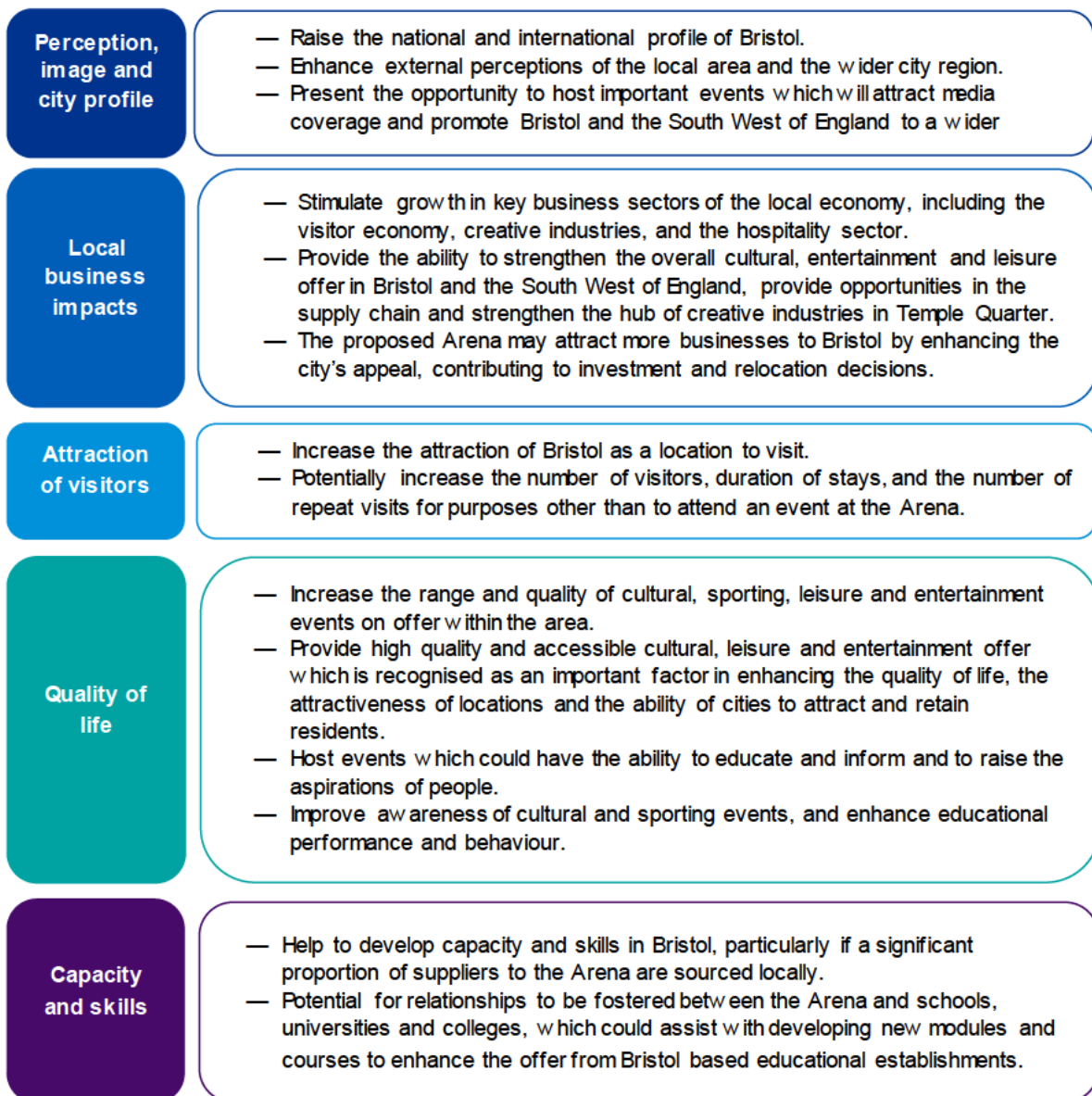
4.2.2 Review of AMION's social impact assessment

In its 2016 review, AMION set out a number of possible wider benefits that could be generated through the Arena development. The benefits were centred around five core themes. Figure 38 sets out these core themes and summarises the AMION assessment of the potential benefits.

⁵⁹ Social Value UK (2012) A guide to Social Return on Investment

⁶⁰ Social Value UK (2012) A guide to Social Return on Investment

Figure 38: Summary of the wider benefits of the Arena identified by AMION



Source: KPMG review of AMION consulting (2016) Bristol Arena –Economic Appraisal – Revised Draft

AMION's assessment of the social impacts was wholly qualitative and did not attempt to monetise any of the impacts. Furthermore AMION does not reference any of its findings nor does it indicate the specific inputs and activities that would, beside the construction of the Arena, create the outcomes it has presented.

4.4.3 KPMG assessment of the potential social impacts of the Arena

In our following analysis we have updated and expanded upon the social impacts presented in the AMION report. Our assessment is based upon the latest data available, findings drawn out from our stakeholder engagement as well as relevant academic literature.

For the purposes of this study we have investigated the possibility of carrying out a forecast SROI analysis drawing on available data and evidence relating to inputs. Where possible we have quantified the inputs using the SROI framework and guidance on SROI methodologies produced by Social Value

UK⁶¹. However, we have been unable to fully assess the potential social value of the Temple Island Arena development as at present, there is insufficient information and data associated with the inputs/activities.

We have not assessed the potential environmental impact of the Arena as this is not in scope of this study. BCC may wish to consider environmental impacts associated with the Arena as part of its own assessment of the project.

Where we have been unable to quantify the social impact, we have assessed it in a qualitative manner as in accordance with guidance from the HM Treasury Green Book⁶² and the SROI framework.

To fully understand the scale and extent of the social impacts associated with the Arena, a full SROI assessment of the social impacts should be conducted ex-post as part of general monitoring and evaluation of the project. An updated analysis could also be undertaken when the level of inputs and activities are agreed.

Our assessment of the social impacts can be summarised broadly into three main areas:

1. the construction of the Arena;
2. the staging of events; and
3. the wider cultural impact.

Each of these areas have been assessed individually in the following sections.

4.4.3.1 Social impacts generated through the construction of the Arena

Social impacts may be generated through the activities of the contractor; Buckingham, both leading up to and during the construction of the Arena. As part of its tender submission Buckingham put forward employment, skills and community engagement plans, which have been incorporated in to the PCSA. Therefore, these form contractually binding commitments. We understand from BCC that it has been working with Buckingham to develop the draft Employment and Skills Plan (ESP), with a revised draft produced in March 2018⁶³. The finalised Plan will be part of the binding contractual undertakings to be delivered during the construction of the Arena.

Within the draft ESP, Buckingham has indicated it will “promote sustainable economic development”; “provide significant economic benefit to the local community” and “provide a positive impact on local pollution”.

More specifically, Buckingham is collaborating with BCC and other local stakeholders, such as Job Centre Plus, to develop and finalise targets for:

- recruitment of local people within a specific radius;
- targeted recruitment for those who are long-term unemployed and Not in Education, Employment or Training (NEET);
- training and apprenticeships for local people, focusing on training that will increase the opportunity for long-term employment;
- number of graduate placements offered for new job starts;
- number of work experience placements offered;

⁶¹ Social Value UK (2012) A guide to Social Return on Investment.

⁶² HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation.

⁶³ Buckingham Group Contracting Limited (2017) Employment and Skills Plan (ESP) for Bristol Arena (revised March 2018).

- number of person weeks of training;
- the volume of business placed with local suppliers; and
- engagement events or initiatives, including pupil interactions, job and training opportunities and community initiatives.

Figure 2 in Section 1.2 contains more details of the targets currently agreed between BCC and Buckingham in relation to the construction of the Arena, as set out in the draft Buckingham Employment and Skills Plan.

In our analysis of the economic impacts associated with the construction of the Arena in Section 4.2.1, we have captured both the direct and indirect GVA and employment associated with construction. This analysis provides a quantitative assessment of the potential impact of the policies concerning the recruitment of local people and the volume of business placed with local suppliers.

However, wider benefits associated with training and apprenticeships in terms of skills uplifts and productivity gains are not captured. The scale of potential impacts will depend on the volume of support provided by Buckingham. These targets will need to be agreed for this to be valued.

Buckingham has proposed that it will appoint an Employment and Skills manager to be responsible for the implementation of the ESP going forward, and who will work with BCC and local agencies, such as Job Centre Plus to target recruitment at those who are long-term unemployed, NEET and from disadvantaged or under-represented communities and groups. The time resource of the Employment and Skills Manager, as well as any other Buckingham employees who may be involved in these activities, represent the input of Buckingham which will generate social impact. The corresponding outcomes may include employment for those previously unemployed, increased income for those previously unemployed and/or increased future opportunities for employment.

There is considerable evidence presented in literature concerning the relationship between training and future employment opportunities. The completion of apprenticeships has been connected to wage uplifts, for example research conducted by BEIS estimates that those who complete a higher apprenticeship could earn up to £150,000 more on average over the course of their lifetime when compared to those with no formally recognised qualifications⁶⁴. Other studies have identified a potential wage uplift ranging between 11% and 87% for those completing an apprenticeship, depending on the level of the apprenticeship (intermediate, advanced or advanced +)⁶⁵.

Finally, Buckingham's commitment to volunteer within the community, as well as the donation of cash and gifts in kind, are further inputs which may generate social impact outcomes. As the level of these donations has not been confirmed we are unable to estimate the monetary value of the impact generated. However, the value of the time by Buckingham employees' spent volunteering could be estimated by using wages and/or salaries as a proxy. Similarly, the equivalent monetary value of gifts in kind could also be used to establish the value. These resources could generate wider intangible benefits depending on the type of community engagement that is undertaken. However there have not

⁶⁴ Department for Business, Innovation and Skills. 2015. 'English apprenticeships: Our 2020 vision'. See: <https://www.gov.uk/government/publications/apprenticeships-in-england-vision-for-2020>

⁶⁵ McIntosh, S. 2009. 'A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications'. *DfES Research Report 834*. Directorate General for Employment, Social Affairs & Inclusion. 2013. 'The effectiveness and costs-benefits of apprenticeships: Results of the quantitative analysis'. London Economics. 2011a. 'Return to Intermediate and Low Level Vocational Qualifications'. *BIS Research Paper 53*. London Economics. 2011b. 'The Long-Term Effect of Vocational Qualifications on Labour Market Outcomes'. *BIS Research Paper 47*. National Audit Office. 2012. 'Adult Apprenticeships. Estimating economic benefits from apprenticeships – Technical Paper'. *Department for Innovation, Business and Skills, Skills Funding Agency and National Apprenticeship Service*. CEPR. 2013. 'University education: Is this the best route into employment?'. *A report by AAT and CEPR*.

been any examples of what this may look like provided by the contractor so we are unable to assess the potential impacts.

4.4.3.2 Regeneration impact

The economic benefits in terms of output and job creation are captured in Section 4.2.2, however, the Arena will help contribute towards the regeneration of a large brownfield site in the Temple Meads Quarter of Bristol. This will revitalise the local area, bringing forward the Arena as a cultural asset, as well as delivering public realm improvements and transformation of the site to create safe public spaces and pathways. It has also been indicated to us that it could provide better connectivity to the City Centre from the south of Bristol as well as new public spaces and amenities for the population of Bristol and wider visitors to the area.

As noted by the Department for Communities and Local Government⁶⁶, regeneration initiatives often have a wide and diverse range of physical, economic and social impacts. Dependent on the specific objectives of the regeneration scheme, these can include:

- economic benefits in terms of output and job creation;
- improvements to the environment and the working of land, property and housing markets; and
- impacts on a broader social agenda, including improved health, reduced crime and building of social capital.

The economic benefits are captured within our analysis in Sections 4.2.2 and 4.2.3, so are not double counted here. It is not clear that the Arena will directly impact property and housing markets, although it could deliver some wider effects by improving the cultural offer of Bristol. It is not possible to quantify this at this stage due to a lack of evidence.

4.4.3.3 Social impacts generated through the staging of events

The impacts generated through the staging of events will be broadly associated with improving Bristol's visitor economy and benefits to local business. There could also be impacts associated with community engagement activities undertaken by the operator.

The Arena Operator has estimated that the Arena will host approximately 600,000 attendees per year. A proportion of these attendees will be from outside of the Bristol area, and possibly outside of the West of England. For these attendees, the Arena will be a drawing factor in visiting Bristol and the events will also increase the profile of Bristol. The Arena may prompt repeat visits from these attendees in the future and thus result in increased visitor spending in the area, and an improvement in the visitor economy. Destination Bristol estimates that, on average, day visitors to Bristol spend £41.00 per trip whilst domestic overnight visitors spend £164.73 per trip⁶⁷.

Furthermore, an Arena in Bristol will likely mean that local residents do not have to travel to other cities in the UK, particularly Cardiff, Birmingham and London, to attend Arena based concerts and events. For these attendees, spending will be retained in Bristol and there will also be a time saving associated with having to travel a shorter distance to access an Arena. This spending will be additional to Bristol, however it should be noted that the spending will be displaced from other parts of the UK and will therefore not be additional at a national level. It is not possible to calculate this impact at present as there is no information available from BCC or the Arena Operator on the current number of Bristol residents who travel to attend Arena events, or the acts that may be hosted at the Temple Island Arena. We have, however, estimated the potential impact that attendee spending could have in Bristol in Section 4.2.2 above.

⁶⁶ Communities and Local Government (2010), Valuing the Benefits of Regeneration

⁶⁷ Data for 2016 as provided to KPMG from Destination Bristol.

The Arena could also provide a venue for special events, such as awards ceremonies. Through our conversations with Destination Bristol, we understand that Bristol does not currently have a venue that is suitable for events such as these and that Bristol is missing out on opportunities as a result. The economic analysis factors in the activity associated with staging all events at the Arena, based on the operator's plans. However, wider benefits could be derived as these types of events could raise the profile of Bristol both nationally and internationally, attracting new business and visitors to Bristol.

The Arena will also generate benefits for local businesses as a result of the increased spending in the local area by attendees. These benefits have already been captured in our analysis of attendee spending and supply chain spending by the Arena Operator in Section 4.2.2 above.

Wider social impacts could be generated as the Arena Operator, as part of its bid for the contract, submitted a number of examples of how it could potentially engage with the local community, based on examples from other arenas it operates.

The operator proposed a multi-faceted approach to community engagement involving:

- providing direct financial support for local projects;
- mutual fundraising;
- resident only events and priority tickets; and
- the fostering of local arts and enterprises.

Some examples of the community engagement programmes that the operator has proposed to it could bring to the Temple Island Arena are set out in more detail below:

- **Young voices:** Young voices is an international organisation that has been staging some of the largest children's choir concerts in the world for the past 20 years. A Young Voices concert consists of 5,000 – 8,000 children performing as a single choir in large, internationally renowned venues.

Young Voices specially selects a diverse sample of a music for children to learn, through which they gain a better understanding of music and being a member of a choir.

SMG and Live Nation have introduced Young Voices in venues in Sheffield, Manchester and Birmingham and it is a proposition that could be introduced in Bristol.

- **Helping local groups:** SMG and Live Nation have previously helped local groups by providing them with financial resources. In Southampton, Sheffield and Cardiff, they spend an annual budget of £10,000 to help local groups achieve their goals.

In addition to financial contributions, the operator has previously provided access to an arena for local groups. One instance of this was in Cardiff where the arena hosted space for a Vulnerable Women's group.

In the past, for other arenas the operator has indicated that it has appointed specific community liaison officers to work alongside local authorities and community interest groups to help ensure that it takes account of, and is sensitive to, local issues.

The examples given by the operator for potential community engagement initiatives could help improve community cohesion, social inclusion and could create social value. The Young Voices programme could help skills development for the local schools by teaching children about music and also introducing them to softer skills such as team work as they have to work together as a choir.

Although the Arena Operator has provided examples of potential programmes it may put in place in Bristol, and has indicated that it would collaborate with neighbourhood partnerships such as Bristol

Children and Young People's service, there is a lack of evidence on the scale of activity that would take place in Bristol (the inputs). Also, no evidence has been made available on the outputs and outcomes associated with any of the example community engagement initiatives. This means that it is not possible for us to determine the scale and type of potential outcomes and impacts, in order to assess and value the social impact quantitatively. Firm commitments, as well as agreed outputs would be required to be able to do this.

Additionally, it should be noted that the agreement between the operator and BCC does not contractually oblige the operator to undertake any community engagement activities as part of its management of the Arena. We understand from BCC that when tendering for an Arena Operator and agreeing contractual terms a decision was made not to place contractual obligations on an operator to provide community engagement activities. Therefore, any activities the operator does undertake would be voluntary and at the operator's discretion. As a result, it is not certain that the example activities will go ahead.

4.4.3.4 Wider cultural impact

The Arena has the potential to have a positive impact on the overall cultural offering of Bristol, to the benefit of local communities.

Culture has both an intrinsic and social value⁶⁸. It has been found that engaging and participating in cultural activities can increase overall satisfaction and has a positive impact on personal wellbeing.⁶⁹ Furthermore, engaging in culture can have wider social benefits in terms of health, education and community. Many studies investigating the relationship between arts and culture and wellbeing, have shown that the arts can have a positive impact on a person's health, both physical and mental wellbeing. Impacts include:^{70,71}

- improved confidence;
- improvements in social development skills, such as communication and social participation;
- reduced blood pressure; and
- increased self-esteem and self-efficacy.

Links between arts and culture and community outcomes have also been identified empirically. Participation in arts and culture has been found to have a positive relationship with social capital. It has been found that those who participate in arts-related activities have greater social interaction, self-esteem and more well-developed social relationships and networks. Furthermore, studies have found that cultural participation can contribute to community cohesion, civic pride and increase social inclusion, overall making communities safer and stronger⁷².

Studies have also investigated the relationship between participation in arts and culture and the educational attainment of children and young people. It has been found that participation in arts activities can be linked to improvements in young people's cognitive abilities and transferable skills⁷³. Other studies have found that engaging with arts and culture from a young age is associated with higher academic attainment and greater skills proficiency⁷⁴. In the long-term participation in arts and

⁶⁸ Department for Culture Media & Sport (2014) Quantifying and Valuing the Wellbeing Impacts of Culture and Sport.

⁶⁹ Department for Culture Media & Sport (2014) Quantifying and Valuing the Wellbeing Impacts of Culture and Sport.

⁷⁰ Taylor et al (2015) A review of the Social Impacts of Culture and Sport

⁷¹ Staricoff, R.L. (2004) Arts in Health: a review of medical literature.

⁷² National Statistics (2009) People and culture in Scotland: Results from the Scottish Household Survey Culture and Sport Module 2007/2008.

⁷³ Newman et al (2010) Understanding the impact of engagement in culture and sport, a systematic review of the learning impacts for young people. CASE, DCMS.

⁷⁴ Newman et al (2010) Understanding the impact of engagement in culture and sport, a systematic review of the learning impacts for young people. CASE, DCMS and Vaughn et al (2011) Bridging the Gap in School Achievement through the Arts.

cultural activities can increase the likelihood of a young person entering further and higher education⁷⁵.

The Arena will provide local communities and individuals' access to a wider variety of cultural events than currently available in Bristol, especially live music, musicals and theatre, family events and conferences and exhibitions. This access could promote the large range of positive benefits noted above that people and communities can experience as result of engaging with cultural activities.

It should be noted that the findings of research presented above, relate to the impact that arts and culture can have in general. The scale and type of potential impacts generated is likely to be related to the type of events staged at the Arena.

⁷⁵ Department for Culture, Media & Sport (2015) Further analysis to value the health and educational benefits of sports and culture.

5 Value for Money assessment

5.2 Economic and social impact assessment

The BCR and the economic NPV⁷⁶ provide an indication of the total Value for Money that the Arena project could deliver. Using the revised costs provided by BCC and our updated analysis of the economic impacts associated with the Arena, we have estimated the BCR and the NPV GVA estimates for the Arena project.

The value for money metrics have been assessed in our central case scenario, both including and excluding the construction impacts. Given that, by nature, construction impacts are temporary and are generated over a short time frame, there tends to be high levels of displacement associated with the activity. Therefore, it is often excluded from assessments of Value for Money of projects.

The results of our analysis are detailed in Figure 39 below.

Figure 39: Value for money assessment for the Temple Island Arena

		25 year period
Benefits	GVA – Construction	£107.3m
	GVA – Operational	£387.1m
	Operating surplus	£0m
	Total	£489.1m
Capital costs		£148.0m
BCR		3.2:1
Economic NPV		£282.6m

Source: KPMG analysis

Based on our updated analysis, over a 25 year time frame the BCR for the Arena is 3.2:1 and the economic NPV generated is £282.6m, excluding construction impacts.

When compared to the results detailed in the AMION report, the BCR and economic NPV estimates for the Arena have decreased. This is largely due to an increase in the project costs and a reduction in the catalysed economic benefits associated with the project.

It should be noted that our BCR only captures the economic and financial benefits associated with the arena. The HM Treasury Green Book⁷⁷ recommends that where possible, in addition to financial and economic impacts, a BCR captures the social impacts of a project, policy or intervention.

As set out in Appendix 4, the Temple Island Arena is likely to generate a number of social impacts for Bristol (such as impacts associated with increasing Bristol’s cultural offering, providing community resource and regeneration of a key part of Bristol). However, there is a lack of evidence relating to the outputs and outcomes associated with these social impacts. In addition, the inputs and activities proposed by the Arena contractor and operator that could generate such social impacts, are not contractual and therefore not guaranteed. As a result of these factors, we have been unable to monetise the social impacts associated with the Arena, and these have not been included in our BCR calculation. The HM Treasury Green Book recommends that where costs or benefits cannot be quantified, they should be included within an appraisal and presented alongside the NPV and BCR. Section 4.4 sets out and qualitatively assesses the social impacts associated with the Arena. These social impacts should be considered as part of the overall BCR assessment and would improve the Value for Money of the project.

⁷⁶ The NPV of the project is calculated by taking the present value (PV) of benefits and subtracting the PV of the costs. And the BCR is given by the present value of the benefits divided by the present value of the costs.

⁷⁷ HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation.

There is no detailed guidance on BCR thresholds for capital infrastructure projects and what level of BCR could be considered as providing value for money. Instead, value for money should be assessed relative to the alternative schemes in which the public funding could be invested. We note that the Department for Transport (DfT) has produced some guidance on assessing the value for money, including the classification of BCR, for transport interventions, as part of WebTAG⁷⁸. Using the WebTAG guidance on VfM assessments, a BCR of 3.2:1 over 25 years would be classed as 'High'.⁷⁹ However, it should be noted that the WebTAG guidance is produced only for transport infrastructure projects, the nature of which is very different from that of an Arena project.

5.3 Commercial and financial assessment

A VfM assessment should not only consider the costs of the project versus the potential benefits, but should also take into account other aspects of the project, such as affordability, deliverability and the expected level of risk.

5.2.1 Commercial assessment

For the development of the Arena, BCC has entered into a Pre-Construction Services Agreement with Buckingham Group, a medium-sized UK-based contractor. The entity has low levels of long-term gearing for a company of its size (annual turnover of over £400m), particularly given the current challenges in the construction sector. However, the contract for the Arena would be one its largest projects to date and is comparable in size to its net asset base, which increases the risk of Buckingham delivering the contract to completion.

The target price structure of the contract and proposed price sharing mechanism means that Buckingham Group would meet a significant proportion of additional costs as BCC has capped its risk exposure at 7.5% of the Target Cost in the event of cost overruns. This arrangement provides cost certainty to BCC as well as an incentive to outperform the Target Cost, if Buckingham successfully completes the contract.

There are some uncertainties around the Target Cost, which already exceeds the current approved budget, given the absence of a matching detailed design for the current proposal from Buckingham. However, we note the comments from Aecom of a possible further £8.0m of value engineering, stating that *"the revised bid has been substantially market tested and once the project regains traction further buying gains are expected from the supply chain"*.

Operational risk for the first 25 years post-completion of the assumed 50-year economic life of the Arena has been transferred to AIL, a joint venture between SMG Europe and Live Nation. AIL will retain risks in relation to demand, operations and maintenance of the facility during the term of the lease, limiting the risk exposure to BCC during this period. We note these two companies are market-leading in the industry and consider the risk of operator income being mitigated to the extent reasonably deliverable.

5.2.2 Financial assessment

In the absence of any public sector support, the project is forecast to deliver a blended return of -0.67%. This is significantly below a return of 6.20% which we estimate commercial investors would require in order to compensate them for a project of this risk profile. Consequently, the project as currently structured requires a subsidy in order to make it viable from a financial return perspective. We estimate the value of this subsidy to be £103.1m. This is provided through a combination of the direct financial contributions from the public sector, including the LEP and BCC directly, and the indirect support offered by BCC in financing the project directly at the cost of PWLB, which is discounted to risk-adjusted rates. This is not untypical for arena developments in the UK, for which

⁷⁸ WebTAG refers to guidance produced by the Department for Transport which aims to provide information on the role of transport modelling and appraisal.

⁷⁹ Department for Transport (2015) Value for Money Framework: Moving Britain Ahead.

there are limited precedents for direct commercial investment, and so should not necessarily be considered as a barrier to investment.

Based on BCC forecasts over a 25-year operational term, the scheme could deliver a net cumulative surplus of £1.3m after repaying the PWLB loans drawn to meet the cost of its construction. With optimisation of the borrowing structure, the Arena could be an income-generating asset for BCC, delivering a recurring surplus during its operation.

This surplus provides a limited buffer for BCC to use to mitigate potential risks, with the project being particularly sensitive to increases in Council borrowings costs.

5.4 Conclusions

In conclusion, the strategic and economic case for an arena is well established. The commercial case suggests key risks have been passed to the private sector but BCC retains a level of residual risk exposure which could lower value for money in a downside scenario. The financial case demonstrates that the project is affordable and can be income-generating for BCC provided public subsidies are made available, although these are not untypical for UK arena developments.

However, given the changes since the business case was approved, we note there are a number of further steps which need to be taken before a more informed decision on the value for money of the project as proposed currently can be made.

The economic and social benefits that the project is anticipated to deliver cannot necessarily be delivered in isolation. Instead, they rely on the availability and coordination of complementary infrastructure in order to promote the social and economic objectives of the region as a whole. Appraising the value for money of the Arena requires a more detailed understanding of its role within the wider City Plan for infrastructure development and social welfare. This link could be developed further to reinforce the case for the Arena and its proposed location.

This study does not consider alternative development and delivery options for the arena. Alternative options may deliver similar social and economic benefits as currently envisaged without the level of public support and investment currently required. In addition, these options may unlock the current site for more valuable opportunities to the region of Bristol, lowering the opportunity cost of the scheme whilst still delivering the arena and meeting its objectives as part of the wider BCC infrastructure development strategy. Given proposals have been put forward by YTL relating to the Brabazon Hanger site, these should be explored before a more informed value for money conclusion can be reached. Our assessment can be found in our reports entitled 'Assessment of alternative plans for Arena in Bristol', and 'Assessment of alternative development plans for the Temple Island site.'

6 Monitoring and evaluation framework

6.2 Temple Island Arena key performance indicators

Our estimates of the potential impacts of the Temple Island Arena project provide an estimate of the potential scale and scope of the possible economic benefits and a qualitative view of the type of social impacts that could be generated. However, realising these impacts is not certain and is dependent on the delivery of the planned inputs, activities and outputs of the project. Therefore, it is important to put in place a monitoring and evaluation framework to track the outputs and outcomes and to enable the end economic and social impacts to be measured as they arise.

We have developed a high level logic model for the Temple Island Arena, which sets out the inputs, activities, outputs, outcomes and impacts of the Arena project, and maps the flow of impact for the Arena project. Using this logic model we have identified the following key performance indicators (KPIs) that we suggest are monitored on an ongoing basis when the Arena is operational:

- £4.2m in direct, indirect and induced GVA created per year in the West of England as a result of the operation of the Arena;
- 210 direct, indirect and induced FTE jobs created in the West of England through the operation of the Arena;
- 122 events staged at the Arena, attracting c.600,000 attendees per year;
- £17.1m in GVA in West of England is created per year through the spending of event attendees;
- 405 indirect and induced FTE jobs created through the spending of event attendees; and
- £0.4m raised in business rates from the arena's operation for BCC per year.

BCC set out an initial monitoring and evaluation plan for the arena project, as detailed in Appendix R of the FBC. We have reviewed this plan and updated it based on our view and the latest available information in Section 6.3.

6.3 Approach to monitoring and evaluation

Using the KPIs identified in Section 6.2 and those identified by BCC in its original monitoring and evaluation plan, we have created a proposed framework to allow BCC to monitor the progress of the Temple Island Arena project against the KPIs. It should be noted that this monitoring and evaluation framework should be used alongside general project governance processes and not in place of it.

A monitoring and evaluation framework should be informed by the stated objectives of the project and should aim to track progress against these objectives only. The HM Treasury Green Book recommends that the thoroughness of an evaluation should depend on the scale of the potential impact, as well as the public interest in the project⁸⁰. Furthermore, the method for monitoring and evaluation should be proportionate to the impacts being measured, i.e. if the potential impact is small, the resource commitment to the monitoring and evaluation of the impact should also be small.

BCC's current monitoring and evaluation plan is more comprehensive than the plan we have put forward. We have focused on the outcomes that we consider to be the most material, measurable and are proportionate. The BCC monitoring and evaluation plan developed in 2016 does not suggest the baseline against which progress should be measured, or recommend the frequency with which KPIs

⁸⁰ HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation.

should be measured. These are important to establish as part of the framework. Therefore as part of our assessment these elements have been added into the framework.

The framework, set out in Figure 40 below, details, for each KPI, possible approaches to measuring performance, including data sources, suggested frequency of monitoring and the baseline against which progress should be measured.

Figure 40: Proposed monitoring and evaluation framework for the Temple Island Arena project

KPI	Corresponding BCC KPI (where applicable)	Source	Baseline	Frequency of measurement
Construction phase⁸¹				
£107.3m net GVA is created as a result of the construction of the Arena (over the total period of construction)	2.3.2.14	Progress against this KPI would have to be estimated based on total construction cost and drawing on ONS and Scottish Government GVA multipliers.	0	Every 6 months, for the duration of construction
176 net temporary FTEs are created as a result of the construction of the Arena (over the total period of construction)	2.3.2.1	Direct employment figures should be reported by the contractor. Indirect and induced employment figures can be estimated drawing on ONS and Scottish Government employment multipliers.	0	Every 6 months, for the duration of construction
A minimum of 1 supply chain training or support initiatives per month.	-	This KPI should be reported by the contractor	0	Every 6 months, for the duration of construction
A minimum of 250 person weeks training	2.3.2.8	Progress against this KPI would have to be reported by the Arena contractor, who should be monitoring and recording training hours across its employees.	0	Every 6 months, for the duration of construction
50% labour from the West of England, including 25% from Bristol	2.3.2.4 and 2.3.2.5	Progress against this KPI would have to be reported by the Arena contractor, who should have records of its employees and where in the UK they live.	0	Every 6 months, for the duration of construction
A minimum of 10 graduate placements offered for new job starts.	=	This KPI should be reported by the contractor.	0	Every 6 months, for the duration of construction
At least 45-50 apprenticeships (of which 15-20 from BCC priority groups).	2.3.2.6	This KPI should be reported by the contractor.	0	Every 6 months, for the duration of construction

⁸¹ Many of the KPIs regarding work placements and supply chain expenditure are based on the original commitments put forward by the initial contractor, Bouygues. The level of commitment by the current contractor, Buckingham, are yet to be agreed. However, it is believed that these KPI levels are the minimum expected level by BCC. We have, therefore, kept these KPIs as they are but it should be noted that they are yet to be agreed with the contractor.

A minimum of 50 work placements/ work experience opportunities	2.3.2.7	This KPI should be reported by the contractor.	0	Every 6 months, for the duration of construction
A minimum of 3 engagement events or initiatives per month.	2.3.9.1	The Arena contractor should keep records of any engagement events that take place relating to the Arena, and report accordingly to BCC.	0	Every 6 months, for the duration of construction
Operation phase				
£4.2m in net GVA created per year in the West of England as a result of operating the Arena		The direct GVA can be measured based on data contained within the financial accounts of the Arena Operator. Direct and indirect GVA can be estimated drawing on economic multipliers available from the Office of National Statistics (ONS) and Scottish Government. The GVA should be measured using UK Government suggested methodologies, as set out in the HM Treasury Green Book.	0	Annual
210 net FTE jobs created through the Arena	2.3.2.1	The direct jobs created can be measured and reported to BCC by the Arena Operator. Direct and indirect jobs can be estimated based on economic multipliers available from the Office of National Statistics (ONS) and Scottish Government. The employment impacts should be measured using UK Government suggested methodologies, as set out in the HM Treasury Green Book.	0	Annual
122 events at the Arena attract c.600,000 attendees to the Bristol	2.3.1.1 and 2.3.5.1	The number of events staged at the Arena can be directly monitored based on data from the Arena Operator. The number of attendees can be measured through the ticket sales and attendance records which should be collected by the Arena Operator. In addition, there are publicly available statistics that are produced by Destination Bristol on tourism to Bristol which could be utilised to measure the number of additional visitors that may be travelling to Bristol in order to attend events at the Arena.	0 for number of attendees to events at the arena. At present 12.7m people travel to Bristol from other regions in the UK.	Annual
£17.1m in net GVA per year created through spending of event attendees	2.3.2.15	GVA generated through spending of event attendees can be estimated based on data collected from a representative sample of Arena attendees. Event attendees could be surveyed and questioned about their level of additional spending (outside of the Arena in the wider economy), and the geographic location and type of spending (e.g. accommodation, transport, retail) as a result of attending an event at the Temple Island Arena. The survey should be designed to capture the additionality of this visitor spending as accurately as possible. This can be done by asking attendees about what alternative activities they would have undertaken if they had not attended an event at the Arena, where this activity would have taken place and approximately how much they would have spent.	0	Annual, or as frequent as surveying is feasible

405 indirect and induced net FTE jobs created through spending of event attendees	2.3.1.2	In addition to GVA, a representative survey of event attendees and their corresponding spending can be used to estimate the employment impacts of attendee spending.	0	Annual, or as frequently as surveying is feasible
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Source: KPMG analysis

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Assessment of alternative development plans for the Temple Island site

**KPMG report for Bristol City
Council**

June 2018



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1 Executive summary

1.1 About the study

Bristol City Council (BCC) has developed plans, and secured £53.0m of funding from the West of England Local Enterprise Partnership (LEP) for a proposed 12,000 (10,000 seated) capacity arena to be situated on the former Diesel Depot site within the Bristol Temple Quarter Enterprise Zone (BTQEZ), located close to Bristol Temple Meads train station (referred to as either “Arena Island” or “Temple Island”).

KPMG was appointed by Bristol City Council (BCC) in 2017 to perform a Value for Money assessment of proposals to develop an arena at Temple Island. During the course of this review BCC informed KPMG of alternative proposals to provide an arena elsewhere and the use the Temple Island site for mixed use development comprising of residential, office and retail space and options for including a conference centre and hotel space.

This report provides a review of the alternative development proposals for the Temple Island site. The KPMG review covers the following main areas:

- A comparative assessment of the strategic case for the alternative Temple Island development versus the current plans for an arena at Temple Island
- Identification, and assessment, of the key financial and deliverability risks of the alternative development proposal and the extent of commercial readiness of the alternative Temple Island development
- An assessment of the strength of the economic case for the proposed alternative Temple Island development, including consideration of ‘additionality’
- Comparison of the levels of public investment required for the alternative Temple Island development compared to the arena at Temple Island

Further details of these alternative proposals, including the size of developments, mix of uses, timelines and funding requirements, and the scope of KPMG’s study are set out in Section 2.2 of this report.

Our study is based on information and data made available to KPMG by BCC in the period up to 11 May 2018, as well as various sources of external data, such as from the Office of National Statistics (ONS). A list of the information and data provided to us is set out in Section 2.2.

It should be noted that as the alternative development proposals for the Temple Island site are still in relatively early stages of planning, there was limited data and information available. As a result, we have only been able to conduct a high level review based on the available information. As the plans progress, it will be important to revisit the assessment and the findings and conclusions may change.

1.2 Key findings: The strategic case for the alternative development proposals

We have considered the extent to which the proposed alternative development on Temple Island could deliver the key stated objectives of BCC for the Temple Island site, the BTQEZ and for Bristol as a whole.

We consider that the developments could contribute towards the achievement of specific key commitments set out by BCC in its Corporate Strategy (2018-2023)¹. In particular, as we assess in detail in Section 3.2, it could contribute toward the following commitments:

- the delivery of new housing, including affordable housing, in Bristol, albeit over a longer timeframe than the 2020 target period currently set out by BCC;
- the development of a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person, linked to the creation of new employment space and associated jobs. However, the delivery of work experience and apprenticeships will depend on occupants of the development providing these opportunities.
- reducing social and economic isolation and helping connect people to people, people to jobs and people to opportunity, also linked to provision of new employment space and job creation, increased economic activity in Bristol, and opening up access to the site.

Due to the early stage of the development of the proposals, the achievement of these objectives has a significant degree of uncertainty. We note that BCC could consider how certain obligations could be put in place to secure the delivery of the objectives, for example, linked to granting planning permission or as part of developer contracts.

There is a strategic rationale for some degree of public sector funding to bring forward the alternative development of Temple Island, on the basis of market failure. The Temple Island site has been derelict for over 15 years. In addition, there are potential wider benefits that would be generated with the development of the site (as assessed in our economic impact analysis in Section 5).

1.3 Key findings: Financial and deliverability risks and commercial readiness of the alternative development of Temple Island

Following professional advice, BCC has stated to KPMG a reasonable degree of confidence² in the deliverability of the alternative proposition at Temple Island, despite being at an early stage. A developer led mixed use scheme is a common approach to city centre development and offers a lower risk alternative for BCC than developing an arena on the site.

BCC's plans for the site are based on professional advice received to outline the potential options available to it at the land at Temple Island in the event the Arena did not proceed. The Council's financial forecasts underpinning our analysis are based on a net cost to the Council from the development of up to £25.6m, being a repurposing of the same capital allocation set aside for the Temple Island arena proposal on the same site. We note that initial analysis by professional advisers, informed by current information and market conditions, suggests that in contrast to the plans potentially costing BCC £25.6m, BCC could receive a significant return from the scheme (whether through land sale, overage or otherwise). BCC's current forecasts therefore appear prudent, although given the early stage in solution development this is perhaps sensible.

¹ Bristol City Council (2018) Corporate Strategy 2018-2023.

² Based on discussions held with BCC

1.4 Key findings: The economic assessment of the proposed alternative development of Temple Island and Value for Money

KPMG assessed the potential economic impacts associated with the potential mixed use developments of residential, office and retail space on the Temple Island site, drawing on the development plans emerging from BCC's initial "land use optioneering exercise". Due to the early stage of planning, limited information and data were available from BCC to assess the economic impacts. Therefore, a high level appraisal approach was adopted and the results of our analysis are indicative only.

Our approach to assessing the potential economic impacts associated with the Temple Island development has been conducted in accordance with the principles set out in the HM Treasury Green Book³. Specifically, we assess the potential additional direct, indirect and induced economic impacts⁴ of the proposed development in terms of Gross Value Added (GVA) and Full Time Equivalent (FTE) employment, both for the construction and ongoing operation of the development. BCC also provided initial estimates of the business rate income expected to be generated by the site. We note that the estimates of potential business rates are based on a high level assessment and are subject to further analysis by BCC.

A summary of the estimated net GVA impacts (in Net Present Value (NPV) terms), net employment (in FTE terms⁵) and BCC estimated business rate income is shown in Figure 1 below⁶.

Figure 1: Net GVA (in NPV terms), employment (in FTEs) and business rate income associated with the proposed alternative development of Temple Island, on an annual basis and over 25 years

		25 years		
		Net GVA	Net employment	Business rates
West of England	Construction	£59.6m	75	-
	Operation	£875.3m	2,026	£22.1m
	Total	£935.0m	2,101	£22.1m
Bristol	Construction	£56.5m	71	-
	Operation	£861.9m	2,003	£22.1m
	Total	£918.4m	2,074	£22.1m

Source: KPMG analysis

Based on the quantified economic impacts and the expected level of public sector contribution of £38.1m; comprising of public funding of up to £25.6m that could be available as an investment to bring the development forward, and the contribution of the land (valued at £12.5m⁷). We estimate that the proposed alternative development of the Temple Island site, excluding any construction impacts and taking into account the possible £38.1m of public contribution, could yield a BCR of 23.0:1 and NPV of GVA of £837.2m across the West of England over a 25 year period.

³ HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation.

⁴ Direct economic impacts are the first round effect where the demand creates economic activity. Indirect impacts are the effects generated through the activity and output supported in the UK based supply chain as a result of procurement of inputs of goods and services (both for construction and ongoing operations). Induced impacts are multiplier effects that arise in the UK economy as a result of direct employees and employees in the UK supply chain spending a proportion of their wages in the UK. This spending generates additional economic activity for those businesses from which these employees buy goods and services and in these businesses' own wider supply chains.

⁵ This adjusts part time or temporary staff into an annual full-time equivalent based on the proportion of full-time hours worked over a year.

⁶ We have presented our analysis in net terms, meaning that our analysis of GVA and employment take into account the 'additionality' of impacts. We have adjusted our GVA and employment estimates for leakage and displacement. Our assumptions of additionality are set out in Section 5 below.

⁷ The current estimate of land value are based on a high level assessment undertaken by third party advisors for BCC. A full Red Book evaluation of the potential land value has not been undertaken, therefore the £12.5m should be viewed as an initial estimate and is subject to change. We note that this is a conservative estimate and at the lower end of range of potential values estimates presented by BCC third party advisors.

It should be noted that our quantitative assessment excludes a range of impacts that it was not possible to assess at this stage due to either a lack of data and information or as they were outside the scope of our study. Specifically, the analysis does not take account of:

- any wider social impacts that the development may deliver;
- any catalytic impacts that may arise (assessed qualitatively based on views provided by BCC);
- the potential impacts generated through the sale or letting of residential units developed on the site; and
- any spending related impacts that may arise if a conference centre is developed that results in increased visitors to Bristol.

These impacts have the potential to increase the economic impact and resultant Value for Money (VfM) of the proposed alternative development of the Temple Island site. In addition, the VfM of the proposed alternative development of the Temple Island site would change if there is any public sector contribution beyond the £25.6m of possible public sector funding identified, say for example if required to support the delivery of a conference centre on the site.

Full details of our analytical approach and the detailed results are set out in Section 5 of the report.

1.5 Summary conclusions

The alternative development plan for Temple Island is still in relatively early stages of planning resulting in only the limited data and information set out above being made available to us for the purposes of our study. This is not unusual for a project at this stage of development, however, as a result we have only conducted a high level review of the proposals for the site and our assessment can be viewed as indicative only and should be noted when comparing the proposition against the assessment of the Temple Island arena.

Potential for wider objectives of BCC to be met through the alternative developments proposed for Temple Island: The alternative development at Temple Island has the potential to contribute towards the wider objectives of BCC, for example housing and economic and social connectivity. In addition, the alternative development at Temple Island has the potential to meet BCC's specific objectives for the Temple Island site and contribute towards the BTQEZ employment targets.

Potential for higher economic impact of the alternative developments on Temple Island compared to an arena: Based on the scope of our quantitative analysis, we have estimated that the construction and the operation of the Temple Island development could generate £935.0m in net GVA (in NPV terms) and 2,101 FTE jobs in the West of England over 25 years. This net GVA is £343.9m higher than the net GVA estimated for the Temple Island Arena.

Lower public sector funding requirements, although uncertainty attached to this: At present, BCC has stated to KPMG that the development would be brought forward by the private sector. No new public sector funding would be required to bring this forward, although up to £25.6m of existing public sector funding allocations specifically linked to the Temple Island site could be available if required, depending on the outcome of BCC's commercial negotiations with potential private sector developers. We consider that further work will need to be undertaken by BCC to assess whether the development plans would be commercially viable for the private sector to deliver and to confirm the required level of public sector funding. We note that a mixed use scheme is a common approach to city centre development and offers a reduced risk to BCC than developing an arena on the site, albeit the proposals are at an earlier stage of development.

Comparatively higher VfM metrics of the alternative developments on Temple Island compared to an arena: Based on the scope of quantified economic impacts, we estimate that the alternative development proposals could deliver a BCR of 23.0:1 and economic NPV of £837.2m over a 25 year

period. This compares to an estimated BCR of 3.2:1 and economic NPV of £282.6m for the Temple Island arena over a 25 year period. In purely economic terms the alternative Temple Island development would be preferred over an arena on the site.

Figure 2: Comparison of the value for money metrics for the Temple Island Arena and the alternative mixed-use development, over 25 years

	Temple Island Arena	Alternative Temple Island development
Total net GVA (in NPV terms) ⁸	£489.1m	£875.3m
Capital costs/ public sector contribution	£172.5	£38.1m
BCR	3.2:1	23.0: 1
NPV	£282.6m	£837.2

Source: KPMG analysis.

⁸ This is the net GVA associated with the operation of the alternative development for Temple Island. GVA generated through construction is temporary and should not be included in the value for money assessment.

2 About the study

2.1 Development proposals for the Temple Island site

An arena for Bristol

Bristol is the only UK core city that does not have a major arena⁹.

Bristol City Council (BCC) has developed plans, and secured £53.0m of funding from the West of England Local Enterprise Partnership (LEP) for a proposed 12,000 (10,000 seated) capacity arena to be situated on the former Diesel Depot site within the BTQEZ, located close to Bristol Temple Meads train station (referred to as either “Arena Island” or “Temple Island”).

In August 2017, KPMG was commissioned by BCC to undertake a VfM review of this proposed Temple Island Arena project. The study was intended to help provide an evidence base for BCC to allow it to make future decisions on the investment in line with its duty of best value.

Details of the scope of this study and KPMG’s findings are set out in KPMG’s Temple Island Arena VfM study and Appendices.

Alternative development plans for the Temple Island site

BCC has initiated work to consider the potential uses for the Temple Island site should a decision be made not to locate an arena on this site.

Although alternative use plans for the Temple Island site have not yet been fully developed, BCC has undertaken an initial “land use optioneering exercise” to consider and develop potential options for the site. The initial options for the Temple Island site include mixed use developments of residential, office and retail space. Options for including conference and hotel space on the site are also being developed. The initial plans provided to KPMG by BCC indicate that the site could be developed to accommodate approximately:

- 460 residential units; and
- 26,000 sq m of mixed use commercial floorspace, which could include office, retail and hotel space, as well as a conference centre and business incubation space.

As we detail further in Section 4, we understand from BCC that it is anticipated that all development would be brought forward by the private sector. As a result, it is assumed that no new public sector investment would be required for the development of the site. However existing public sector funding allocations specifically linked to the Temple Island site could be made available, if required. These allocations total £25.6m. As noted in Section 4, BCC’s professional advisors believe the site could yield a substantial return for the Council.

2.2 Scope of work

To supplement our VfM review of the proposed arena on the Temple Island site, KPMG was commissioned by BCC to undertake a review focusing on a VfM assessment of an alternative use of the Temple Island site. In particular, our study covers the following main areas:

⁹ Dav is Langdon and IPW... (2013) Bristol Arena Outline Business Case: Final Report November 2013.

- a comparative assessment of the strategic case for the alternative Temple Island development versus the current plans for an arena at Temple Island;
- identification, and assessment, of the key financial and deliverability risks of the alternative development proposal and the extent of commercial readiness of the alternative Temple Island development;
- an assessment of the strength of the economic case for the proposed alternative Temple Island development, including consideration of 'additionality'; and
- a comparison of the levels of public investment required for the alternative Temple Island development compared to the arena at Temple Island.

Our work draws on information and data provided to us by BCC, both in the form of written documents and orally in meetings in the period up to 11 May 2018. Specifically we were provided with the following information:

- the proposed number of residential units and floorspace that could be developed on the Temple Island site;
- the estimated level of employment that could be generated through the alternative development of Temple Island;
- the estimated cost of constructing the alternative development on the Temple Island site;
- evidence of the market demand for the proposed developments; and
- qualitative information on the potential wider developments that may be catalysed through the proposed development on Temple Island.

The alternative development plan for Temple Island is still in relatively early stages of planning resulting in only the limited data and information set out above being made available to us for the purposes of our study. This is not unusual for a project at this stage of development, however, as a result we have only conducted a high level review of the proposals for the site and our assessment can be viewed as indicative only.

As plans progress and additional information becomes available, the underlying data and information our analysis is based upon is likely to change. Therefore, our analysis would need to be revisited and our findings may change as a result.

Additional to the data provided by BCC, we sourced data and information from a number of external public sources. This includes official statistics published by the Office for National Statistics (ONS), data from the Homes and Communities Agency (HCA¹⁰) and existing research, analysis and economic literature from a range of sources.

¹⁰ Homes and Communities Agency is now Homes England

3 The strategic case for the alternative development of Temple Island

3.1 Overview of the proposals, timings and funding requirements

In order to assess the strategic case for an alternative development on the Temple Island site, it is important to first establish the scale of development, types of use, the timeframe over which this is expected to be brought forward and the public sector costs associated with this. Building on the overview presented in Section 2.1, we detail below our current understanding in each of these areas.

If a decision is made by BCC to not proceed with the proposed development of an arena on the Temple Island site, this would leave the site proposed for the Temple Island site vacant and available to pursue alternative development plans. As detailed in Section 2.1, BCC has undertaken an initial “land use optioneering exercise” to consider and develop potential options for the site in the event that the Arena project is not taken forward on the site. This includes the possible mix, scale and density of the developments that could come forward.

The initial options for the Temple Island site include mixed use developments of residential, office and retail space. In addition, options for including conference and hotel space on the site are being considered.

If the proposed development were pursued, BCC has indicated to KPMG that it would target the commercial development on the site to businesses in the creative and digital sectors as well as financial and professional services. This is because it considers that these sectors will benefit from close proximity to the new University of Bristol campus, as well as Temple Meads Station.

BCC is exploring options for the commercial development to be taken up by a mix of large multinational corporations and smaller, creative businesses. Smaller businesses would also have access to the proposed dedicated space for commercial incubator space, which BCC has indicated will focus on creative and digital businesses and seek to support businesses in the early stages of development and growth.

BCC has indicated to KPMG that, if the proposed developments were taken forward, it expects development to come forward from 2022, with all developments completed by 2025. These are initial estimates of the timing of the development. As the development is still in the early stages of planning there is some uncertainty around the delivery timetable and a full, in-depth assessment of the market demand and development appetite for a commercial development of this type and scale has not yet been undertaken. When this study is undertaken, and as plans for the development progress, the delivery timetable may shift.

BCC has stated to KPMG that it considers that no further public sector funding will be used for the development on Temple Island, and it is intended that the development would be brought forward by the private sector. However, we understand that existing public sector funding allocations specifically linked to the Temple Island site, such as the CIL funding, could be available. In our assessment, we have assumed that the £25.6m of BCC capital contribution to the Temple Island Arena scheme are repurposed to this alternative development, to be used as a contribution towards a conference centre, land remediation, abnormals or otherwise.

Details of the public sector funding that could be linked to the Temple Island site are set out below:

- £15.9m of net sales proceeds from Cattle Market Road site to the University of Bristol;
- £1.8m of Transport Capital Funding; and
- £8m of CIL.

Any alternative scheme will also be expected to deliver funding to the Council through CIL funding and S106 payments. The amounts of income generated will depend upon the scheme delivered, but CIL payments generated through commercial uses on the site could be considerable. These funds could then be available for investment in other community infrastructure projects within Bristol. In addition to this, additional business rates, Council tax and New Homes Bonus income could be expected to be delivered through the proposed alternative development of Temple Island. We have assessed the potential level of business rates that could be generated through the scheme in Section 5.4 below.

As detailed in Section 4, further work will need to be undertaken by BCC to assess whether the development plans would be commercially viable for the private sector to deliver and whether the funding outlined above will be required and if further funding is needed to bring forward the development.

3.2 Delivery of BCC’s key objectives for Bristol

As part of our assessment of the strategic case for the alternative proposed development at Temple Island, we have considered how this proposal may affect the opportunity for BCC to deliver its key objectives, for example, in terms of housing and employment growth. To do this, we have considered the extent to which the proposed alternative development on Temple Island could deliver the key stated objectives of BCC for the Temple Island site, the BTQEZ and for Bristol as a whole.

3.2.1 BCC’s objectives for the Bristol Arena

In the Full Business Case (FBC)¹¹ submitted to the West of England LEP as part of the application for the Economic Development Fund (EDF) funding for the Temple Island Arena, BCC set out a number of objectives for the Arena. The objectives for the Temple Island Arena were not solely associated with an arena but also encompass objectives more broadly related to the Temple Island site. Specifically, these objectives were for the arena to:

- Have a public realm interface with the rest of the site, which encourages visitors and creates a “destination” experience for “Arena Island”.
- Assist in making the BTQEZ more accessible and drive improvements [in] permeability to the south of Temple Meads station.

BCC’s initial plans for the Temple Island development will have an element of external public space, as well as retail space and a limited provision of cultural facilities. However, under current plans, the retail and leisure offering on the site will be relatively modest, with the majority of the development being focused on commercial office space and residential uses. By nature, these types of developments do not typically lend themselves to a “destination experience”.

However, a conference centre and hotel development are being considered on the site. These developments could make the site more of a “destination” – drawing visitors, both from Bristol and outside of Bristol, to the site for events. We consider that, based on current plans for the Temple Island site, it could be possible to create a “destination experience” if developed and managed with this objective in mind. However, this destination experience would be of a different nature to what could be created by locating an arena on the site. Furthermore, as it is intended that the alternative

¹¹ Bristol City Council (2016) Bristol Arena Full Business Case

development of Temple Island would be brought forward by the private sector, BCC would need to work with the private developer(s) to ensure that this objective is met.

The proposed Temple Island site development could assist in making the BTQEZ more accessible and drive improvement in permeability to the south of Temple Meads Station and to the south of Bristol. Current plans for the development on Temple Island include improved pedestrian access to the Temple Meads Station complex from the site. This would improve the permeability between the site and station. BCC has informed KPMG that it considers that the development would likely open up access to the south of the Temple Island site and may influence the development of sites to the east in particular sites on the other side of the River Avon.

It should also be noted that BCC could elect to use part or all of the £25.6m of potential funding, or of any capital receipt of the land realised through the delivery of the alternative scheme on Temple Island to invest in or support other schemes (within the Temple Quarter or wider BCC area). These investments could contribute towards the delivery of BCC objectives for the arena on Temple Island. Therefore, any objectives that are not met through the alternative development at Temple Island could potentially be met through other schemes. We note, however, that KPMG has not been provided with any evidence of what these schemes could be or the potential outcomes of schemes, nor is it within the scope of this report to examine them.

3.2.2 Overview of BCC's key stated objectives for Bristol

BCC's Corporate Strategy (2018-2023) ("the Strategy") sets out the key strategic priorities and vision for the City over the next five years. It sets out BCC's "contribution to the city as part of the One City Plan and is [its] main strategic document. It informs everything the council does and how [it] plans for the future"¹².

The Strategy has four themes, as stated below:

- "Empowering and caring: Working with partners to empower communities and individuals, increase independence, support those who need it and give children the best possible start in life.
- Fair and inclusive: Improving economic and social equality, pursuing economic growth which includes everyone and making sure people have access to good quality learning, decent jobs and homes they can afford.
- Well-connected: Taking bold and innovative steps to make Bristol a joined up city, linking up people with jobs and with each other.
- Wellbeing: Creating healthier and more resilient communities where life expectancy is not determined by wealth or background."

Within these themes, the Strategy sets out a number of key commitments. We have identified three key commitments which are relevant to the Temple Island site. In Figure 3 below, we have set these commitments, as well as our assessment of the extent to which these objectives may be met by the proposed alternative development on Temple Island.

¹² Bristol City Council (2018) Corporate Strategy 2018-2023.

Figure 3: KPMG assessment of the extent to which the proposed development of Temple Island may meet BCC key commitments

BCC Commitment	KPMG assessment
<p>Make sure that 2,000 homes – 800 affordable – are built in Bristol each year by 2020</p>	<p>Initial analysis suggests that the Temple Island site development could feature approximately 460 residential units. Based on the initial plans, it is expected that this housing will come forward from 2022 onwards. This means that it will not contribute toward achieving BCC's 2020 housing target, but it will increase housing availability in the period after this.</p> <p>Current development proposals will aspire to ensure that 30% of all residential units built will be affordable. This would support BCC's affordable home target, although after the 2020 period. We also understand that BCC will seek to ensure that housing proposals are compliant with Policy BSC17 of the Core Strategy¹³ which states that at least 30% of housing be affordable (within the Bristol South area, which is where the Temple Island site lies).</p> <p>In addition, BCC has indicated to KPMG that some of the residential units may be appropriate for retirement living.</p>
<p>Develop a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person</p>	<p>The proposed Temple Island development will include a large offering of office and commercial floorspace, creating new employment space in the city. BCC has indicated to KPMG that it is envisaged that this office development would be aimed at firms in the financial and professional services, and the creative and digital sectors. These sectors are two of the West of England LEP's priority sectors as set out in its Strategic Economic Plan (SEP)¹⁴. As we detail in Section 6, our analysis suggests that this development would also generate additional economic activity and employment.</p> <p>As the proposals are still in the early stages, at present there are no specific plans of how the development may offer opportunity to all and provide quality work experience and apprenticeships to young people. As plans for the development progress and businesses begin to register interest in the office space, there may be a clearer view as to how this objective may be delivered. BCC could consider how certain obligations could be put in place to secure the delivery of the objectives, for example, linked to granting planning permission or as part of developer contracts.</p>
<p>Reduce social and economic isolation and help connect people to people, people to jobs and people to opportunity</p>	<p>The plans for the site development include a large offering of office and commercial space. BCC has estimated that there will be employment of 1,804 direct gross FTEs on the site. To the extent to which this will support additional employment in Bristol, rather than displacing employment from other parts of the area, the development will provide increased employment opportunities for the local population. This could reduce economic isolation and inequality, however, it will depend on the types of jobs created and the skill levels required. If these jobs are filled by those from lower income and/or more disadvantaged population groups the creation of the new</p>

¹³ Bristol City Council (2011) Bristol Development Framework: Core Strategy.

¹⁴ West of England Local Enterprise Partnership (2014) West of England Strategic Economic Plan 2015-2030.

employment space could help to reduce social and economic inequality and work towards the BCC inclusive growth agenda.

Any work experience placements or apprenticeships offered by firms located on the developed site may also help to connect people to jobs and opportunity. The extent to which these opportunities will be provided is unclear at this stage, given the early stage of the development proposals.

We also understand that BCC consider that the proposed Temple Island development could complement measures already taken or proposed to improve access between Temple Island and Temple Meads Station, as well as access to the city centre from the south of the site. This will improve connectivity for those living in South Bristol. We understand from BCC that South Bristol is one of the relatively more deprived areas of Bristol, therefore it is possible that this improved connectivity may contribute, to some extent, to reducing social and economic isolation for this area by improving access to the city centre and employment spaces.

Source: Bristol City Council (2018) Corporate Strategy 2018-2023.

3.2.3 Objectives of the Bristol Temple Quarter Enterprise Zone

The Temple Island site is located within the boundaries of the BTQEZ.

BCC envisages the BTQEZ becoming a new city quarter, with the aim of providing opportunities for work, study, housing and leisure for the local population, as well as increasing access to the city centre and Temple Meads Station¹⁵.

One of the key aims of the BTQEZ is to attract 22,000 jobs over its lifespan¹⁶. The proposed alternative development of Temple Island would contribute towards this aim by generating an estimated 1,804 gross direct jobs (in FTE terms).

In addition, BCC has stated that it aims to focus the Temple Island commercial development on the creative and digital sectors and the financial and professional services sectors. This will be complimentary to the BTQEZ, which focuses on the following key sectors¹⁷:

- creative and digital;
- high tech;
- low carbon; and
- professional services.

The alignment between the focus of the BTQEZ and the target sectors for the commercial development of the Temple Island site, may increase the attractiveness of the site to relevant businesses and help to create synergies through the complementarities between occupants of the developments.

¹⁵ <https://www.bristoltemplequarter.com/about/vision/>

¹⁶ <https://www.bristoltemplequarter.com/portfolio-items/skills-and-training/>

¹⁷ <https://www.bristoltemplequarter.com/about/useful-resources/>

3.3 Rationale for public intervention

As part of the assessment of the strategic case we have also considered the rationale for public sector intervention to bring forward the alternative development of the Temple Island site compared to developing an arena on this site.

We note that BCC's alternative development plans for the Temple Island site envisage that the proposed developments would be brought forward, and funded, by private sector developers. However, BCC has indicated to us that in the instance that public sector funding is required to support the development of Temple Island and/or increase the economic return, it envisages the public sector funding grants, totalling £25.6m, currently in place for the Temple Island Arena and directly associated with the Temple Island site could be made available, for example for land remediation works. BCC could also contribute the value of the land receipt towards the scheme. BCC's advisors have indicated that the Council could expect to benefit from a substantial return from this site, however BCC has not modelled any income from the development given the early stage of its plans. Further details are provided in Section 4.

The public sector grants that could be made available total £25.6m and, therefore, if used would represent a lower level of public sector funding to develop the site for alternative use compared to developing an arena on the site. If deliverable, and shown to contribute towards BCC's objectives (albeit contributing to different objectives to some extent) and a similar or higher benefit cost ratio (BCR), a private sector led proposition for the development of the Temple Island site weakens the strategic rationale for public sector intervention to develop an arena on Temple Island.

In terms of the economic benefits associated with the alternative development of Temple Island we have estimated the potential GVA and employment impacts and business rate income it could deliver in Section 5. We also note that one of the key arguments for public sector intervention to bring forward an arena on the Temple Island site, put forward in the FBC, was that will act as a catalyst for the development of the wider area. We consider that this rationale applies to an alternative development on the site. We also assess the potential catalytic impacts of the alternative development in Section 5.5. Although it is not possible to quantify these impacts at this stage due to a lack of detailed evidence, there are indications that wider development could be catalysed in the surrounding area.

Therefore, if some degree of public sector funding to bring forward the development of Temple Island is required, there is likely to be a strategic rationale for intervention on market failure grounds given the positive externalities that would be associated with the development of the site. However, this would need to be reassessed when funding requirements are clear, and considered as part of a wider value for money assessment of the proposals at the stage at which more details and evidence is available.

In terms of the deliverability of the Temple Island scheme we note that due to the early stage of the project there remain uncertainties. BCC should consider the viability of the proposed mixed use development on the site when considering the deliverability of the proposed Temple Island scheme. Additionally, BCC has indicated to KPMG that it recognises the need to consider a number of additional "technical factors" in relation to planning, including: assessing the environmental impact; noise and vibration; air quality; sustainability; ecology; flooding and contamination. These issues are not assessed with the scope of KPMG's work. We understand from BCC that work has already been undertaken to consider these factors.

We note that the well-connected location of the Temple Island site within the BTQEZ and its proximity to Temple Meads Station means that the site may become increasingly attractive to private investors in the future. As other developments, including the University of Bristol plans, progress, we consider that the need for public sector funding to support the development of the Temple Island site should be kept under review as proposals proceed.

4 Financial and commercial assessment of the alternative development of the Temple Island site

Whilst the work to develop an alternative use for the Temple Island site is at a very early stage, BCC commissioned third party advisors to outline the potential options available to it. Since that time BCC has then further developed these options internally.

BCC currently intends to appoint one or more private sector developers to construct the entire site, which will likely lead to the most intensive development, for example a greater number of homes and a significantly greater commercial area. This a common strategy adopted by many local authorities to leverage private sector expertise and reduce the financial risk to BCC.

Development of a mixed use commercial and residential space has potentially lower construction risk than the arena option due to a more standardised construction and greater comparative benchmarks. However, given the infancy of development plans, significant estimate risk remains.

The Council's financial forecasts underpinning our analysis are based on a net cost to the Council from the development of £25.6m, being a repurposing of the same capital allocation set aside for the arena proposals on the same site. BCC has indicated that it may choose to spend some of this on preliminary works and abnormals to de-risk the site for potential developers but that any decision would depend on the outcome of future commercial negotiations, and there may be no financial investment required by BCC at all. We note that professional advice secured by BCC suggests that in contrast to the plans costing the Council £25.6m, BCC could receive a significant return from the scheme (whether through land sale, overage or otherwise). BCC's current forecasts therefore appear prudent, although given the early stage in solution development this is perhaps sensible.

Overall we note that BCC have a reasonable degree of confidence in the deliverability of the alternative proposition at Temple Island, despite being at an early stage. A developer led mixed use scheme is a common approach to city centre development and offers a reduced risk to BCC than developing an arena on the site. BCC's early stage proposal is based on independent third party analysis highlighting BCC have taken appropriate advice in reaching this stage of development. BCC may be able to negotiate using less than the £25.6m committed to the site as part of the Temple Island Arena development or recover much of this through future land agreements.

5 Economic assessment of the alternative development of the Temple Island site

5.1 Our approach to assessing the potential economic impacts

As part of the scope of this report we were asked by BCC to assess the strength of the economic case for the alternative development proposals for Temple Island.

Our approach to assessing the potential economic impacts associated with the Temple Island development has been conducted in accordance with the principles set out in the HM Treasury Green Book¹⁸. Specifically, we assess the potential additional direct, indirect and induced economic impacts¹⁹ of the proposed development in terms of GVA and FTE employment.

Our analysis draws upon floorspace and employment estimates provided to us by BCC, estimated construction costs from BCC and publicly available data produced by the HCA and ONS.

Our analysis focuses on the potential economic impacts associated with:

- the construction of the proposed alternative development; and
- the ongoing operation of the proposed commercial development on the site²⁰.

We have been unable to quantitatively assess all of the potential economic impacts that could be generated through the proposed alternative development. The following aspects have not been included in our quantitative economic impact analysis:

- The potential revenue, and associated economic impacts, associated with the sale and/ or letting of residential developments. Further additional GVA may be generated through revenue raised from the sale or letting of the residential properties. We have not been able to factor these associated economic impacts in to our analysis at this stage due to lack of information on the likely mix of 1,2 and 3 bed residential properties that will be developed and on the potential market value of those residential developments over the appraisal period.
- Any additional economic impacts that may be associated with visitor spending in the local economy if a conference centre is located on the site. If the availability of these facilities were to increase the number of visitor to Bristol, there could be wider spending impacts associated with this, for example linked to hotel stays, retail and food and beverage purchases. Due to uncertainty over the development plans for a conference centre and a lack of associated data and information, we were unable to quantify these potential impacts.

¹⁸ HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation.

¹⁹ Direct economic impacts are the first round effect where the demand creates economic activity. Indirect impacts are the effects generated through the activity and output supported in the UK based supply chain as a result of procurement of inputs of goods and services (both for construction and ongoing operations). Induced impacts are multiplier effects that arise in the UK economy as a result of direct employees and employees in the UK supply chain spending a proportion of their wages in the UK. This spending generates additional economic activity for those businesses from which these employees buy goods and services and in these businesses' own wider supply chains.

²⁰ We note that while the residential developments would also generate economic impacts through the residents' additional spending with local businesses, resulting from the increase in the local population, HCA guidance states that where a development is mixed use this additional spending should not be captured separately. It considers that only the economic output (GVA and employment) associated with the commercial aspects of the development should be estimated and not impacts from any residential aspects, to avoid the double counting of impacts in the analysis.

- Any wider developments on adjacent sites that may be catalysed as a result of the development of the Temple Island site. BCC has stated that it considers that the development of Temple Island would likely encourage the development of adjacent sites. However, which sites and the potential scale, type and timing of any catalysed development have not yet been identified. We have therefore been unable to quantify the potential impact. Section 5.4 below sets out any wider impacts in greater detail.

In line with the HM Treasury Green Book, we have assessed the additionality of the proposed alternative development i.e. the economic activity that is additional to the local economy and would not arise in the absence of the project being brought forward. This includes an assessment of:

- Displacement: the extent to which the project could offset economic activity elsewhere.
- Leakage: the extent to which impacts are generated outside of the spatial area which it is intended to benefit. We have assessed the potential economic impact of the alternative development of the Temple Island site at three levels; the UK level; the West of England level and the Bristol level. When referring to impacts at the Bristol level, we have used the UK Government definition of a sub-region²¹, this is equivalent to the area of Bristol covered by BCC.

In addition to displacement and leakage, the HM Treasury Green Book²² recommends that an economic impact assessment consider the deadweight of a project. Deadweight refers to the outcomes which would have occurred without the project being brought forward. The deadweight of the alternative Temple Island development would be the construction and operation of the arena on the site, the costs and benefits of which have been assessed in our Temple Island arena report. Rather than deduct the economic impacts associated with the Temple Island Arena to represent the deadweight, we consider that the relative net economic impacts should be compared.

The net economic impacts are presented in our analysis in Net Present Value (NPV) terms over a 25 year appraisal period, applying a social time preference rate (STPR) discount rate of 3.5%, based on the HM Treasury Green Book guidance.

We understand from BCC that the land use optioneering exercise is still ongoing and BCC is continuing to explore the potential use(s) of the Temple Island site. We have based our analysis on the most up to date information provided to us by BCC as at 11 May 2018. As noted in Section 2.2, due to the early stage of the plans, the data and information available to us was limited.

Given this, a high level appraisal approach was adopted. Therefore, the analysis should be viewed as indicative only, and is predicated on the deliverability of the scheme and the achievement of BCC's projections in terms of developed floorspace and the associated employment.

If the alternative development plans for Temple Island progress and as more data and information becomes available we recommend that the analysis is revisited and a more detailed assessment conducted.

5.2 Potential economic impacts associated with the construction of the Temple Island development

The construction of the alternative developments on Temple Island will directly generate economic activity. It will also generate indirect economic impacts through the supply chain, e.g. through the purchase of construction materials, as well as induced impacts associated with employees' spending wages in the wider economy.

²¹ A sub-region is defined as any spatial area that covers the very local (e.g. 5 miles) through to the local authority district.

²² HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation.

However, any impacts will be generated for a limited time only - over the construction period. At present, information provided by BCC indicates that the construction of the alternative developments will be phased over a 6 year period, with all developments being brought forward by 2025.

To inform our estimates of the construction impacts BCC has provided us with cost estimates for residential and commercial developments, on a per square foot basis. We have applied these estimates to BCC data on the proposed amount of developed floorspace in order to estimate the total cost of construction. We estimate the total construction cost of the proposed Temple Island development to be £81.0m.

5.2.1 Gross GVA impacts associated with the construction of the Temple Island development

We have estimated the direct GVA associated with the construction of the development by applying the relevant GVA to output ratio for the construction industry to the overall estimated cost of construction. Indirect and induced GVA has been estimated by applying the Type I and Type II GVA multipliers²³ to the estimated direct GVA.

Overall, we estimate that £74.3m would be generated in gross GVA²⁴ over the construction period.

Figure 4 below sets out our gross GVA estimates split by direct, indirect and induced impacts.

Figure 4: Gross GVA associated with the construction of the alternative Temple Island development

	Direct	Indirect	Induced	Total
Gross GVA	£32.9m	£30.1m	£11.3m	£74.3m

Source: KPMG analysis

5.2.2 Gross employment impacts associated with the construction of the Temple Island development

In addition to GVA, the construction of the development will also generate employment for the duration of the construction period.

We have estimated the potential level of direct employment associated with construction based on the estimated direct GVA and the average GVA per FTE for the construction industry. Indirect and induced employment have been estimated by applying the industry Type I and Type II employment multipliers²⁵ to the estimated direct employment.

We estimate that 927 gross FTE temporary jobs would be generated through the construction of the alternative Temple Island development, over the construction period.

We have adjusted our employment estimates to be in permanent terms, by assuming that one permanent FTE job is over a 10 year period. Based on this approach, we estimate that 93 gross permanent FTE jobs would be generated through construction.

²³ Office for National Statistics (2017) 2013 Input-Output Analytical Tables: Multipliers and effects (product) and Scottish Government (2017) Input-Output Tables 1998-2014.

²⁴ Gross GVA has not been adjusted for additionality and is presented in nominal terms.

²⁵ Office for National Statistics (2017) 2013 Input-Output Analytical Tables: Multipliers and effects (product) and Scottish Government (2017) Input-Output Tables 1998-2014.

Figure 5: Gross employment (in FTE terms) associated with the construction of the alternative Temple Island development

	Direct	Indirect	Induced	Total
Gross employment	43	38	11	93

Source: KPMG analysis

5.2.3 Consideration of additionality and net economic impacts

As set out in Section 5.1 above, we have considered the additionality of any economic impacts associated with the construction of the alternative Temple Island development.

We have set out our assessment of the estimated level of additionality associated with the construction in Figure 6 below.

Figure 6: Additionality assumptions associated with the construction of the proposed alternative development on Temple Island

Additionality factor	Estimated level	KPMG assessment
Deadweight	-	The potential deadweight associated with the proposed development of the Temple Island site relates to the construction impacts that could be generated if alternative developments were to come forward. We note that at present there are two competing uses for the site – the arena development and the proposed development detailed in this report. Therefore, in our analysis, rather than deduct the economic impacts associated with the arena to represent the deadweight, we consider that the relative net economic impacts should be compared.
Displacement	10%	The construction activity is expected to take place over a relatively long time period and as a result we consider that there will be relatively low levels of displacement from other major construction projects across the West of England and the UK. Therefore, in line with our analysis of the displacement associated with the arena on the Temple Island site, we assume a low level of displacement in our analysis at 10%.
Leakage	17.5% for indirect and induced impacts at a West of England level. 25% for indirect and induced impacts at a Bristol level.	Due to the location of the Temple Island development, construction will be undertaken in Bristol and as a result, we would expect that the direct impacts of construction to be retained in Bristol and the West of England. We have therefore assumed a zero level of leakage associated with direct construction impacts. Through the supply chain, however, there will be a level of leakage associated with the indirect and induced impacts. It is unlikely that all of the building materials and other resources required in the construction will be sourced from Bristol or the West of England. Taking the factors that will affect the likely leakage of both direct and indirect impacts of construction into account, at the West of England level we assumed a low to medium leakage rate for the construction impacts of 17.5% for indirect and induced impacts. At a Bristol level, we have assumed a medium level of leakage of 25%. These rates are based on the levels detailed in the HCA additionality guidance ²⁶

Source: KPMG analysis

²⁶ HCA (2014) Additionality Guidance. 4th Edition.

By applying the additionality assumptions set out in Figure 6 above we have estimated the net GVA and employment associated with the construction of the proposed alternative development on Temple Island. Our estimates of net GVA for the total construction period are set out in Figure 7 below.

It should be noted our estimates of net impacts are based on current information, and assumptions of additionality levels. As plans progress, and more detailed information and evidence becomes available, it would be possible to more accurately estimate the net impacts associated with the construction of the proposed alternative development on Temple Island. Therefore, we may have over- or under-estimated the potential economic impacts associated with the construction of the development at Temple Island.

Figure 7: Net GVA associated with the construction of the alternative Temple Island development

	Direct	Indirect	Induced	Total
Net GVA				
<i>In the West of England (including Bristol)</i>	£29.6m	£21.8m	£8.2m	£59.6m
<i>In Bristol</i>	£29.6m	£19.6m	£7.3m	£56.5m
Net employment (in FTE terms)				
<i>In the West of England (including Bristol)</i>	39	28	8	75
<i>In Bristol</i>	39	25	7	71

Source: KPMG analysis

5.3 Potential economic impacts associated with the ongoing operation of the Temple Island development

5.3.1 Gross employment impacts associated with the Temple Island development

The operation of the businesses located in the commercial developments on the Temple Island site will generate ongoing economic impacts directly, as well as indirectly through spending with suppliers and in induced terms through employees' spending of wages within the economy.

BCC has provided KPMG with estimates of the direct employment it has forecast, over time, which could be generated as a result of the proposed development of the Temple Island site.

We understand that BCC has estimated this direct employment by applying the relevant HCA employment densities to the net internal area floorspace dedicated to different uses²⁷. The direct employment estimates take into account the occupancy rate of the developments²⁸. KPMG has not validated BCC's estimates of the direct employment associated with the Temple Island site development although we consider that the high level appraisal approach adopted by BCC is appropriate and reasonable given the level of information available at the early stages of the project.

BCC's direct employment estimates increase over time based on the phasing of the development coming forward. In year 1, BCC has estimated that 143 gross FTEs could be generated through the development of the Temple Island site, rising to 1,804 gross FTEs by year 6.

Using BCC's estimates of direct employment, we have estimated the wider employment that could be generated through the Temple Island site, in indirect and induced terms. Indirect and induced

²⁷ BCC have converted gross floorspace to net internal floorspace by applying a factor of 0.8.

²⁸ BCC has applied occupancy rates ranging from 50% to 100%.

employment have been estimated by applying the relevant Type I and Type II employment²⁹ multipliers to BCC's direct employment estimates.

Figure 8 below sets out the direct, indirect and induced employment estimates and the phasing of this employment over time. Overall, we estimate that the Temple Island development could generate up to 2,737 gross FTEs from year 6 of operation onwards.

Figure 8: Gross employment in FTE terms associated with the development of Temple Island

	Year					
	1	2	3	4	5	6 onwards
Direct	143	464	668	954	1,429	1,804
Indirect	57	187	270	388	585	740
Induced	16	51	74	104	154	194
Total³⁰	216	703	1,013	1,446	2,168	2,737

Source: KPMG analysis

5.3.2 Gross GVA impacts associated with the Temple Island development

GVA will be generated through the operation of the businesses that occupy the Temple Island development.

At present there is no forecast financial information linked to these commercial developments. Therefore, we have only been able to conduct a high level appraisal of the potential GVA impacts based on the direct employment estimates provided to us by BCC. We have applied the relevant level of GVA per FTE, sourced from the ONS, to the direct employment estimates to derive the direct GVA. We estimate that the gross direct GVA associated with the Temple Island development in year 1 could be £4.7m, rising to £54.2m in year 6.

Indirect and induced impacts have been estimated by applying the relevant Type I and Type II GVA multipliers³¹ to the direct GVA estimates. We have estimated that the development could generate between £2.4m to £28.7m in indirect GVA and a further £1.2m to £14.5m in induced GVA.

Figure 9 below sets out the estimates of gross GVA per annum over time.

Figure 9: Gross GVA impacts per annum generated through the Temple Island development

	Year					
	1	2	3	4	5	6 onwards
Direct	£4.7m	£14.7m	£21.0m	£29.5m	£43.3m	£54.2m
Indirect	£2.4m	£7.7m	£11.0m	£15.5m	£22.9m	£28.7m
Induced	£1.2m	£3.9m	£5.5m	£7.8m	£11.6m	£14.5m
Total³²	£8.3m	£26.3m	£37.6m	£52.8m	£77.8m	£97.4m

Source: KPMG analysis

5.3.3 Consideration of additionality and net impacts

The analysis detailed above presents the economic impacts in gross terms. In line with HM Treasury's Green Book, it is important to assess the additionality of the project.

²⁹ The multipliers applied are for SIC code 47: 'Retail trade, except of motor vehicles and motorcycles' and SIC code 70: 'Activities of head offices; management consultancy activities'.

³⁰ Totals may not add up due to rounding errors.

³¹ Office for National Statistics (2017) 2013 Input-Output Analytical Tables: Multipliers and effects (product) and Scottish Government (2017) Input-Output Tables 1998-2014.

³² Totals may not add up due to rounding errors.

We have assessed the additionality of the economic impacts associated with the operation of the proposed Temple Island mixed use developments to estimate the level of ongoing net employment and GVA.

We have considered the potential additionality of the development of the Temple Island site for mixed use purposes. Figure 10 below sets out our assessment of the additionality factors to apply in our analysis.

Figure 10: Assessment of the additionality of the operation of the proposed alternative development plans for Temple Island

Additionality factor	Estimated level	KPMG assessment
Deadweight	-	<p>The potential deadweight associated with the proposed development of the Temple Island site relates to the economic impacts that could be generated if alternative developments were to come forward. We note that at present there are two competing uses for the site – the arena development and the proposed development detailed in this report. Therefore, in our analysis, rather than deduct the economic impacts associated with the arena to represent the deadweight, we consider that the relative net economic impacts should be compared. This comparison is included in our overall VfM assessment detailed in Section 6.</p>
Displacement	20%	<p>Professional advisors for BCC have conducted an initial assessment of the potential for the commercial development on Temple Island to displace current or future activity in Bristol. A number of other developments currently coming forward across Bristol have been identified. However, in comparison to these other developments, Temple Island is still in the early stages of planning.</p> <p>BCC is of the view that a number of these other schemes may come forward in advance of any development at Temple Island. The developments remaining i.e. those that have not been taken forward by that time, are those which may give rise to some form of displacement. The level of displacement will depend on the nature of the offer of each to the market and demand for space at the time. We consider it reasonable to assume that there will be some level of displacement. BCC should consider an over-arching economic development strategy and plan to assess such impact.</p> <p>With regards to the modest retail offer on the site, BCC envisages that the space would likely be occupied by a mix of local, independent businesses and business chains. BCC has stated that any retail offer will be carefully chosen to ensure that it supports the wider site. Furthermore, BCC has stated that it intends to manage the retail offer on the site to ensure that any retail offering on the site does not directly compete with retail businesses in the city centre. Furthermore, the retail offer on the site is relatively small, and would therefore unlikely result in a high level of displacement from the city centre.</p> <p>If BCC is successful in delivering these plans and mitigating the extent to which the development on the Temple Island site would directly compete with other developments across Bristol (both for occupants and resident and visitor spending) it may be reasonable to assume that there would be a low level of displacement.</p> <p>There is a high degree of uncertainty of the plans for an alternative development at Temple Island and the potential for it to displace existing (and future) office and retail developments within Bristol and the West of England. Given the uncertainties we have assumed a</p>

medium level of displacement of 20%, based on HCA additionality guidance³³.

We consider that it will be important to keep the expected levels of displacement under review as the plans progress as there is a high degree of uncertainty at this stage as it is highly dependent on who will occupy the developments.

Leakage	17.5% at a West of England level
	20% at a Bristol level

Given that the direct economic impacts will be generated by the proposed commercial and retail developments on the Temple Island site these direct impacts will be retained within Bristol.

However, it is likely that the supply chains to support the direct activity, as well as the spending of direct and indirect employees, will span across the West of England and the wider UK economy.

The level of leakage from the Bristol and the West of England areas will depend on the extent to which the businesses that occupy the commercial space on the Temple Island site source from the local region. If the businesses have predominantly local supply chains the level of leakage will be low. However, if the occupying businesses source a high proportion of their supply chains from outside of the West of England region, there will be a high level of leakage of economic impacts outside of the region. As we currently do not know which businesses will occupy the commercial space on the site, nor do we have any evidence as to the nature of their supply chains we are unable to accurately assess the level of leakage associated with the development.

Given a lack of detail on this at this stage, we consider it reasonable to assume, a low to medium level of leakage (17.5%) at the West of England level and a medium level of leakage (20%) at a Bristol level. These leakage rates are sourced from the HCA Additionality Guide³⁴.

We consider that it will be important to keep the expected levels of leakage under review as the plans progress

Source: KPMG analysis

Taking into account the estimated additionality factors set out in Figure 10 we have estimated the net economic impacts associated with the proposed alternative use of the Temple Island site. It should be noted our estimates of net impacts associated with the ongoing operation of the proposed alternative development of Temple Island are based on current information, and assumptions of additionality levels. As plans progress, and more detailed information and evidence becomes available, it would be possible to more accurately estimate the ongoing net impacts associated with the alternative development of Temple Island. Therefore, we may have over- or under-estimated the potential ongoing economic impacts.

In net terms, we estimate that the proposed developments on Temple Island could generate between £6.0m and £70.4m in net GVA per annum in the West of England.

In total, over a 25 year period, the Temple Island development could generate £875.3m in net GVA (in NPV terms) and 2,026 net FTE jobs in the West of England.

³³ HCA (2014) Additionality guidance: 4th Edition.

³⁴ HCA (2014) Additionality guidance: 4th Edition.

Figure 11: Net GVA and employment (in FTE terms) associated with the operation of Temple Island in the West of England and Bristol

	Net GVA		Net employment (in FTE terms)	
	West of England	Bristol	West of England	Bristol
Year 1	£6.0m	£5.9m	160	158
Year 2	£19.0m	£18.7m	520	514
Year 3	£27.2m	£26.8m	750	741
Year 4	£38.2m	£37.6m	1,071	1,059
Year 5	£56.2m	£55.3m	1,605	1,586
Year 6 onwards	£70.4m	£69.3m	2,026	2,003
25 years (in NPV terms)	£875.3m	£861.9m	2,026	2,003

Source: KPMG analysis

5.4 Business rates generated through the Temple Island development

The proposed alternative developments on Temple Island will generate business rates income for BCC. Any business rates income would be split with 50% going to BCC and 50% going into the West of England EDF pool.

Based on the current planned floorspace, and the type of developments planned on the site, BCC have estimated that it could expect up to £2.2m per annum to be generated in business rates.

Using the business rates income estimates provided to us by BCC, we have estimated that over the 25 year appraisal period £22.1m in business rates, in NPV terms, could be generated with £11.1m being received by BCC.

These estimates are based upon a high level appraisal of the potential business rates income that could be generated through the alternative development of the Temple Island site. Any changes to the current plans for the site would likely impact the level of business rates that could be expected from the development. Therefore, if the plans for Temple Island progress, this analysis should be revisited when more data and information becomes available.

5.5 Wider impacts associated with the development

We consulted with BCC to understand what, if any, wider impacts might be catalysed through the proposed alternative development of Temple Island.

Due to the early stages of the project and the limited information currently available, BCC have not yet been able to identify the potential scale, type and timings of any catalysed developments driven by the Temple Island site. We have therefore, been unable to assess the potential wider impacts quantitatively. However, in this section we have assessed the wider impacts qualitatively based on information provided to us by BCC.

BCC has stated to KPMG that it considers that the proposed higher density residential and commercial development on Temple Island will have a transformational impact on the perception of the surrounding area, and will generate interest in the area, increasing the likelihood of additional developments coming forward.

In particular, BCC has suggested that the Temple Island development could catalyse further development on the sites surrounding Temple Meads Station. It considers that as the new residential developments on Temple Island will increase the local population living in the area, this will result in increased spending in the local area, in particular with retail businesses such as food stores. This increase in spending would have a knock-on effect, benefitting local businesses and BCC considers that this may result in new businesses being attracted to the area. As the planned retail offering on the

Temple Island site is relatively small, it is BCC's view that further modest retail developments surrounding the Temple Meads station could come forward.

In addition, BCC considers it reasonable to assume that if the demand for office space is greater than the increased supply offered by the Temple Island site development, the surplus demand could "spill-out" to adjacent sites, catalysing further employment space development around Temple Meads and in the wider city centre.

From discussion with BCC, we understand that interest has already been expressed in the redevelopment of adjacent sites based on the expectation of development on the Temple Island site.

As the Temple Island site is currently unused and has been for a number of years, we consider that it is appropriate to conclude that the regeneration of the site in to mixed-use development would likely generate positive spillover effects in the surrounding area.

However, there is considerable uncertainty at this stage about the scale and scope of any catalytic impacts.

It is important to note that the level of potential economic impacts generated through any catalysed developments will be largely dependent on the type and nature of development that is brought forward. Typically, residential developments generate a lower level of economic activity in the long-run when compared to commercial developments. Residential developments will generate temporary GVA through construction and when sold, and some ongoing low-level economic activity associated with the spending of residents. Commercial developments tend to generate more value added for the local economy through businesses direct activities, supply chains and employment on an on-going basis. Higher intensity employment commercial development, such as offices and working spaces for start-ups, tend to generate higher levels of economic activity than other types of developments, such as retail and leisure businesses.

If the proposed alternative development of Temple Island is taken forward, it will be important for the potential economic impact of any catalysed developments to be assessed quantitatively, as and when the required information becomes available.

6 Value for money assessment

6.1 Summary of the economic impacts

In Section 5 above we have assessed, adopting a high level appraisal approach, the potential economic impacts associated with the proposed alternative development of the Temple Island site. The results of our analysis are summarised in Figure 12 below.

Based on the scope of our quantitative analysis, we have estimated that the Temple Island development could generate £935.0m in net GVA (in NPV terms) and 2,101 FTE jobs in the West of England over 25 years.

Figure 12: Net GVA (in NPV terms), employment (in FTEs) and business rate income associated with the proposed alternative development of Temple Island over 25 years

		25 years		
		Net GVA	Net employment	Business rates
West of England	Construction	£59.6m	75	-
	Operation	£875.3m	2,026	£22.1m
	Total	£935.0m	2,101	£22.1m
Bristol	Construction	£56.5m	71	-
	Operation	£861.9m	2,003	£22.1m
	Total	£918.4m	2,074	£22.1m

Source: KPMG analysis

6.2 Value for money assessment of the proposed alternative development of the Temple Island site

Using the estimates of the potential economic impacts that could be generated through the proposed development, we have estimated the associated economic NPV. We have also estimated the BCR associated with the Temple Island development proposals. There are a number of assumptions and caveats linked to this, as detailed below, that should be considered when interpreting the results.

Given that, by nature, construction impacts are temporary and are generated over a short time frame, these impacts are often excluded from the assessment of VfM. Therefore, in our economic NPV and BCR estimates we do not take account of construction related economic impacts.

We note that a VfM assessment extends beyond consideration of the BCR. The financial and commercial cases for the proposals also need to be taken in to account including other aspects of the project, such as affordability, deliverability and the expected level of risk.

For our assessment of the VfM metrics (the NPV and BCR) for the Temple Island developments we have assessed the potential economic benefits of the Temple Island site against the £25.6m of public sector funding that could be made available, if required, for the development (see Section 4 for further details) and the £12.5m of capital receipt from the sale of the land (which represents the opportunity cost of the alternative development). The current estimate of land value are based on a high level assessment undertaken by third party advisors for BCC. A full Red Book evaluation of the potential land value has not been undertaken, therefore the £12.5m should be viewed as an initial estimate and is subject to change. We note that this is a conservative estimate and at the lower end of range of potential values estimates presented by BCC third party advisors.

The results of our analysis are set out in Figure 13 below.

Figure 13: Value for money assessment of the proposed alternative development of the Temple Island site over a 25 year appraisal period

	25 years
Total net GVA (in NPV terms)	£875.3m
Public sector contribution	£38.1m
BCR	23.0: 1
NPV	£837.2m

Source: KPMG analysis

We estimate that the proposed alternative development of the Temple Island site, excluding any construction impacts, could yield:

- a BCR of 23.0:1 over a 25 year period; and
- an economic NPV of £837.2m over a 25 year period.

This assessment also excludes a range of impacts that it was not possible to assess at this stage due to a lack of data and information or as they were outside the scope of our study. Specifically, the analysis does not take account of:

- any wider social impacts that the development may deliver;
- any catalytic impacts that may arise (assessed qualitatively in Section 5.4);
- the potential impacts generated through the sale or letting of residential units developed on the site; and
- any spending related impacts that may arise if a conference centre and hotel is developed that results in increased visitors to Bristol.

These impacts have the potential to increase the VfM of the proposed alternative development of the Temple Island site.

However, the development plans for the Temple Island site are also only in the early stages and there remains delivery risk and uncertainty about the exact development that may come forward and over what timeframe. Additionally, the level of public sector spending that may be required to bring forward the developments is not clear.

Therefore, this analysis is indicative only and we consider that the VfM of the Temple Island site should be reassessed once the plans have progressed further and more data and information is available to conduct a detailed assessment of factors including the level of costs, commercial and financial arrangements and potential economic impacts.

6.3 Comparative assessment of the proposals for an Arena and the alternative developments on the Temple Island site

When making public spending decision it is helpful to consider the relative VfM that could be achieved through alternative schemes. Therefore, we have compared the economic NPV and BCR for the two competing development proposals for the Temple Island site – the Temple Island Arena and the alternative mixed use development.

The same caveats and assumptions associated with the alternative Temple Island development assessment (detailed above) and for the Temple Island Arena (as detailed in our Temple Island Arena VfM report) apply to this comparison.

Figure 14 below sets out the key VfM indicators associated with the two development proposals over a 25 year period.

Figure 14: Comparison of the value for money metrics for the Temple Island Arena and the alternative mixed-use development, over 25 years

	Temple Island Arena	Alternative Temple Island development
Total net GVA (in NPV terms)	£387.1m	£875.3m
Capital costs/ public sector capital contribution	£148.0m	£38.1m
BCR	3.2:1	23.0: 1
NPV	£282.6m	£837.2m

Source: KPMG analysis

The analysis suggests that the economic NPV of the Temple Island Arena project is comparatively lower than the economic NPV of the alternative Temple Island development. This suggests that, based on the evidence currently available to inform the assessment, in cost and economic terms, the alternative Temple Island development proposals present better value for money and would generate higher economic impacts.

However, it should be noted that there is considerable difference in the stage of development of the plans for the propositions and the details on which the assessments are based. In comparison to the alternative development proposals for Temple Island, the Temple Island Arena is a well-developed project and as a result could be considered, at this point in time, to be more deliverable.

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APPENDIX I5 – TEMPLE ISLAND ARENA – SCOPE OF ENABLING WORKS PRE CONTRACT

Bristol Arena Project July 2018 Cabinet Paper

1. At the Cabinet meeting of 4th April 2017 a budget was agreed for Enabling Works and the pre-ordering of elements of work/materials. To date this budget has been largely unspent.
2. It is intended that Enabling Works utilising the agreed budget will commence in late 2018 to mitigate project cost and programme risks. The criteria for undertaking enabling works will be that they offer one or both of the following benefits to BCC:
 - i. They will provide additional information about the site prior to signing the construction contract. This information will reduce risk and associated costs.
 - ii. They are essential works that can be undertaken prior to the signing of the construction contract which will improve the value of the site and reduce the Arena construction programme duration and associated costs.
3. These Enabling Works will be undertaken by BGCL under the terms of the PCSA which allows works to be instructed under the same terms and conditions as the proposed main construction contract. This ensures market competition and full transparency of cost through the open book contract (NEC Option C Target Cost). In undertaking these works, BCC are in no way obliged to proceed into the main construction contract with the PCSA Contractor. BCC's obligations are limited to payment for the contracted and completed Enabling Works.
4. The extent of Enabling Works undertaken will be dependent on the agreed Programme; the following list of activities are indicative of the type of works that could realise the benefits described above:
 - i. Site Investigations and Design Approval
 - ii. Specific ground and structural investigations
 - iii. Test Piles
 - iv. Pile Probing
 - v. Design samples and mock-ups
 - vi. Site Setup and Preparatory Works
 - vii. Hoardings, fencing, signage and gates
 - viii. Site access and security setup
 - ix. Site clearing, levelling and grading
 - x. Demolition and removal of concrete structures and obstructions
 - xi. Temporary utility connections
 - xii. Site preparation and drainage
 - xiii. Environmental protection measures / remediation
 - xiv. Construction of haul roads and laydown areas
 - xv. Enabling Works to the A4 Bath Road wall and River Avon wall
 - xvi. Improvement works to the A4 slip road
5. The extent of the works will be confirmed by the BCC Project Management Team in conjunction with the BGCL and the BCC Cost Consultant.

TOMs Owner:	Denise Murray
Project:	Temple Island Arena Construction
PDF Filename:	

The National TOMs 2018: Social Value Calculator for Measurement

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Theme	Outcomes	Ref	Measures - Minimum Requirements <i>Click to view guidance</i>	Units	SOCIAL VALUE PROXY	TARGETS	TOTAL SOCIAL VALUE COMMITTED	EVIDENCE
				How it should be measured	See Table 4: Proxies - Types, Rationale, and value for different stakeholders in the accompanying Guidance document.	Are set by the organisation pledging Social Value - please check the Units column	Please check Double Counting	Use this to record the list of Evidence documents provided for each measure. Click here to view the National TOMs Evidence requirements.
Jobs: Promote Local Skills and Employment	More local people in employment	NT1	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£28,920.00	200.00	£5,784,000.00	25% from Bristol BS1 to BS16 Postcodes Aggregated for contract duration
		NT1(A)	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£26,348.00	400.00	£10,539,200.00	50% from West of England.
		NT2	% of local people employed on contract (FTE)	%	£0.00	50.00	£0.00	
	More opportunities for disadvantaged people	NT3	No. of employees (FTE) taken on who are long term unemployed (unemployed for a year or longer)	no. people FTE	£14,701.56	30.00	£441,046.79	
		NT4	No. of employees (FTE) taken on who are not in employment, education, or training (NEETS).	no. people FTE	£12,442.91	12.00	£149,314.96	
		NT5	No. of employees (FTE) taken on who are rehabilitating young offenders (18-24 v.o.)	no. people FTE	£14,618.77	4.00	£58,475.07	
		NT6	No. of jobs (FTE) created for people with disabilities.	no. people FTE	£12,769.68	10.00	£127,696.80	
	Improved skills for local people	NT7	No. of hours dedicated to supporting unemployed people into work by providing career mentoring, including mock interviews, CV advice, and careers guidance (over 24 v.o.)	no. hrs*no. attendees	£94.28	64.00	£6,033.71	Say 8 no 2 hour sessions with 4 no. attending
		NT8	Local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (No. hours, includes preparation time).	no. staff hours	£14.43	24.00	£346.32	Say 12 No. Stem / CITB Sessions via Tristan @ 2 hours each
		NT9	No. site visits for school children or local residents that last at least 1hr			12.00	£0.00	Assume 12 no visits
NT10		No. of training opportunities on contract (BTEC, City & Guilds, NVO, HNC) that have either been completed during the year, or that will be supported by the organisation to completion in the following years - Level 2,3, or 4.	no. opportunities	£235.75	100.00	£23,575.00	Includes our Apprentices / Trainees training achievements	
Improved employability of young people	NT11	No. of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation to completion in the following years - Level 2, 3, or 4.	no. opportunities	£168.04	20.00	£3,360.82	Includes our existing apprentices - should increase when supply chain engaged - ESP to be Agreed	
	NT12	No. of employment taster days for those interested in working in the relevant industry.	no. days*no. attendees		24.00	£0.00		
	NT13	No. of hours dedicated to support young people into work (e.g. CV advice, mock interviews, careers guidance) - (under 24 v.o.)	no. hrs*no. attendees	£94.28	64.00	£6,033.71	Say 8 no 2 hour sessions with 4 no. attending	
Growing Supporting Growth of Responsible Regional Business	More opportunities for local SMEs and VCSEs	NT14	No. of weeks spent on meaningful work placements or pre-employment course; 1-6 weeks student placements (unpaid)	no. weeks	£143.94	24.00	£3,454.56	4 no students on 6 week placements
		NT15	Meaningful work placements that pay Minimum or National Living wage according to eligibility - 6 weeks or more (Internships)	no. weeks	£143.95	48.00	£6,909.60	say 4 persons for 12 weeks or 8 people for 6 weeks
		NT16	Total amount (£) spent with VCSEs within your supply chain	£	£0.12	0.00	£0.00	
	Improving staff wellbeing	NT17	Provision of expert business advice to VCSEs and SMEs (e.g. financial advice / legal advice / HR advice/HSE)	no. staff expert hours	£84.00	24.00	£2,016.00	Tender stage Target
		NT18	Equipment or resources donated to VCSEs (£ equivalent value)	£	£1.00		£0.00	
		NT19	Number of voluntary hours donated to support VCSEs (excludes expert business advice)	no. staff volunteering hours	£14.43	8.00	£115.44	
		NT20	Total amount (£) spent in LOCAL supply chain through the contract.	£	£0.89	30,000,000.00	£26,670,000.00	Tender stage Target
	A workforce and culture that reflect the diversity of the local community	NT21	Total amount (£) spent through contract with LOCAL SMEs.	£	£0.89	9,000,000.00	£8,001,000.00	Tender stage Target
		NT22	Demonstrate commitment to work practices that improve staff wellbeing, recognise mental health as an issue and reduce absenteeism due to ill health. Identify time dedicated for wellbeing courses	no. hrs*no. attendees	£95.95	1,440.00	£138,168.00	Assume 6 wellbeing days at 6 hours with 30 attendees per day
		NT23	Diversity training provided for contractors and subcontractors	no. hrs*no. attendees	£95.95	400.00	£38,380.00	1 hour toolbox talk for 100 attendees possibly increase via SCS Training
NT24		Percentage of procurement contracts that includes commitments to ethical procurement, including to verify anti-slavery and other relevant requirements.	% of contracts	£0.00		£0.00		
Social: Healthier, Safer and more Resilient Communities	Ethical Procurement is promoted	NT25	Percentage of contracts with the supply chain on which Social Value commitments, measurement and monitoring are required	% of contracts	£0.00		£0.00	
		NT26	Initiatives aimed at reducing crime (e.g. support for local youth groups, lighting for public spaces, private security, etc.)	£ invested including staff time	£1.00		£0.00	
	Social Value embedded in the supply chain	NT27	Initiatives to be taken to tackle homelessness (supporting temporary housing schemes, etc)	£ invested including staff time	£1.00		£0.00	
		NT28	Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc) or wellbeing initiatives in the community, including physical activities for adults and children.	£ invested including staff time	£1.00		£0.00	
	Crime is reduced	NT29	Initiatives to be taken to support older, disabled and vulnerable people to build stronger community networks (e.g. befriending schemes, digital inclusion clubs)	£ invested including staff time	£1.00		£0.00	
		NT30	Donations or in-kind contributions to local community projects (£ & materials)	£ value	£1.00		£0.00	Excluded from Financial Submission - to be discussed post-award
	Creating a healthier community	NT31	No hours volunteering time provided to support local community projects.	no. staff volunteering hours	£14.43	128.00	£1,847.04	Sat 2 people at 16 no. 4hour periods e.g. one initiative per month
		NT32	Support provided to help local community draw up their own Community Charter or Stakeholder Plan	£ invested including staff time	£1.00		£0.00	To be agreed post-award - baseline to be clarified
More working with the Community	Climate Impacts are reduced	NT33	Savings in CO2 emissions on contract not from transport (specify how these are to be achieved).	tonnes CO2e	£64.66	150.00	£9,699.00	To be agreed post-award - baseline to be clarified
		NT34	Embodied carbon reductions in CO2e emissions against baseline.	tonnes CO2e	£64.66	100.00	£6,466.00	Nominal Target - to be refined post-award
	Air pollution is reduced	NT35	Car miles saved on the project (e.g. cycle to work programmes, public transport or car pooling programmes, etc.)	hundreds of miles saved	£1.53	2,000.00	£3,060.00	To be agreed post award
		NT36	Number of low or no emission staff vehicles included on project (miles driven)	hundreds of miles driven	£0.67		£0.00	To be agreed post award
Better places to live	NT37	Voluntary time dedicated to the creation or management of green infrastructure, to increase biodiversity, or to keep green spaces clean	no. staff volunteering hours	£14.43		£0.00	Included in NT29	
	NT38	Percentage of procurement contracts that includes sustainable procurement commitments or other relevant requirements and certifications (e.g. to use local produce, reduce food waste, and keep resources in circulation longer.)	% of contracts	£0.00		£0.00		
Sustainable Procurement is promoted	Other measures (TBD)	NT39	Other measures (£) - please describe any additional initiatives that you would like to make and £ to be invested	£	£1.00		£0.00	To be agreed post award
		NT40	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. expert hrs)	no. staff expert hours	£84.00		£0.00	To be agreed post award
		NT41	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. voluntary hrs)	no. staff volunteering hours	£14.43		£0.00	To be agreed post award

TOTAL SOCIAL VALUE MEASURED ON THE PROJECT

£52,020,198.82



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TOMs Owner: Denise Murray
 Project: Temple Island Arena Operation
 PDF Filename: [blank]

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Theme	Outcomes	Ref	Measures - Minimum Requirements <i>Click to view guidance</i>	Units How it should be measured	SOCIAL VALUE PROXY See Table 4: Proxies - Types, Rationale, and value for different stakeholders in the accompanying Guidance document.	TARGETS Are set by the organisation pledging Social Value - please check the Units column	TOTAL SOCIAL VALUE COMMITTED Please check Double Counting	EVIDENCE Use this to record the list of Evidence documents provided for each measure. Click here to view the National TOMs Evidence requirements.
Jobs: Promote Local Skills and Employment	More local people in employment	NT1	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£28,920.00	102.00	£2,949,840.00	Based on employment estimates provided by the Arena Island Operator. We have used the direct employment from year 3. We have assumed a 17.5% leakage at a Bristol level.
		NT1(A)	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£26,348.00		£0.00	
		NT2	% of local people employed on contract (FTE)	%	£0.00		£0.00	
	More opportunities for disadvantaged people	NT3	No. of employees (FTE) taken on who are long term unemployed (unemployed for a year or longer)	no. people FTE	£14,701.56		£0.00	
		NT4	No. of employees (FTE) taken on who are not in employment, education, or training (NEETS)	no. people FTE	£12,442.91		£0.00	
		NT5	No. of employees (FTE) taken on who are rehabilitating young offenders (18-24 y.o.)	no. people FTE	£14,618.77		£0.00	
		NT6	No. of jobs (FTE) created for people with disabilities	no. people FTE	£12,769.68		£0.00	
		NT7	No. of hours dedicated to supporting unemployed people into work by providing career mentoring, including mock interviews, CV advice, and careers guidance - (over 24 v.o.)	no. hrs*no. attendees	£94.28		£0.00	
		NT8	Local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (No. hours, includes preparation time)	no. staff hours	£14.43		£0.00	
		NT9	No. site visits for school children or local residents that last at least 1hr				£0.00	
Improved skills for local people	NT10	No. of training opportunities on contract (BTEC, City & Guilds, NVO, HNC) that have either been completed during the year, or that will be supported by the organisation to completion in the following years - Level 2, 3, or 4	no. opportunities	£235.75		£0.00		
	NT10	No. of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation to completion in the following years - Level 2, 3, or 4	no. opportunities	£168.04		£0.00		
Improved employability of young people	NT11	No. of employment taster days for those interested in working in the relevant industry	no. days*no. attendees			£0.00		
	NT11	No. of hours dedicated to support young people into work (e.g. CV advice, mock interviews, careers guidance) - (under 24 v.o.)	no. hrs*no. attendees	£94.28		£0.00		
	NT12	No. of weeks spent on meaningful work placements or pre-employment course - 1-5 weeks student placements (unpaid)	no. weeks	£143.94		£0.00		
	NT13	Meaningful work placements that pay Minimum or National Living wage according to eligibility - 6 weeks or more (internships)	no. weeks	£143.95		£0.00		
	NT14	Total amount (£) spent with VCSEs within your supply chain	£	£0.12		£0.00		
More opportunities for local SMEs and VCSEs	NT15	Provision of expert business advice to VCSEs and SMEs (e.g. financial advice / legal advice / HR advice/HSE)	no. staff expert hours	£84.00		£0.00		
	NT16	Equipment or resources donated to VCSEs (£ equivalent value)	£	£1.00		£0.00		
	NT17	Number of voluntary hours donated to support VCSEs (excludes expert business advice)	no. staff volunteering hours	£14.43		£0.00		
	NT18	Total amount (£) spent in LOCAL supply chain through the contract.	£	£0.89	4,375,934.62	£3,894,581.82	We have used the average annual supply chain expenditure taken from Arena Island Operator's forecast P&L account and remained consistent in the application of the proxy value.	
	NT19	Total amount (£) spent through contract with LOCAL SMEs	£	£0.89		£0.00		
	Improving staff wellbeing	NT20	Demonstrate commitment to work practices that improve staff wellbeing, recognise mental health as an issue and reduce absenteeism due to ill health, identify time dedicated for wellbeing courses	no. hrs*no. attendees	£95.95			£0.00
		NT21	Diversity training provided for contractors and subcontractors	no. hrs*no. attendees	£95.95			£0.00
A workforce and culture that reflect the diversity of the local community	NT22	Percentage of procurement contracts that includes commitments to ethical procurement, including to verify anti-slavery and other relevant requirements.	% of contracts	£0.00		£0.00		
Ethical Procurement is promoted	NT23	Percentage of contracts with the supply chain on which Social Value commitments, measurement and monitoring are required	% of contracts	£0.00		£0.00		
Social: Healthier, Safer and more Resilient Communities	Crime is reduced	NT24	Initiatives aimed at reducing crime (e.g. support for local youth groups, lighting for public spaces, private security, etc.)	£ invested including staff time	£1.00			£0.00
		NT25	Initiatives to be taken to tackle homelessness (supporting temporary housing schemes, etc.)	£ invested including staff time	£1.00		£0.00	
	Creating a healthier community	NT26	Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc) or wellbeing initiatives in the community, including physical activities for adults and children.	£ invested including staff time	£1.00		£0.00	
		NT27	Initiatives to be taken to support older, disabled and vulnerable people to build stronger community networks (e.g. befriending schemes, digital inclusion clubs)	£ invested including staff time	£1.00		£0.00	
	More working with the Community	NT28	Donations or in-kind contributions to local community projects (£ & materials)	E value	£1.00	10,000.00	£10,000.00	Assuming the Arena Operator allocates £10,000 per annum to helping local community groups and charities. Based on Appendix E of the FBC.
Environment: Protecting and Improving Our Environment	Climate Impacts are reduced	NT29	No hours volunteering time provided to support local community projects	no. staff volunteering hours	£14.43		£0.00	
		NT30	Support provided to help local community draw up their own Community Charter or Stakeholder Plan	£ invested including staff time	£1.00		£0.00	
	Air pollution is reduced	NT31	Savings in CO2 emissions on contract not from transport (specify how these are to be achieved).	tonnes CO2e	£64.66		£0.00	
		NT32	Embodied carbon reductions in CO2e emissions against baseline.	tonnes CO2e	£64.66		£0.00	
		NT33	Car miles saved on the project (e.g. cycle to work programmes, public transport or car pooling programmes, etc.)	hundreds of miles saved	£1.53		£0.00	
	Better places to live	NT33	Number of low or no emission staff vehicles included on project (miles driven)	hundreds of miles driven	£0.67		£0.00	
		NT34	Voluntary time dedicated to the creation or management of green infrastructure, to increase biodiversity, or to keep green spaces clean	no. staff volunteering hours	£14.43		£0.00	
Sustainable Procurement is promoted	NT35	Percentage of procurement contracts that includes sustainable procurement commitments or other relevant requirements and certifications (e.g. to use local produce, reduce food waste, and keep resources in circulation longer)	% of contracts	£0.00		£0.00		
Innovation: Promoting Social Innovation	Other measures (TBD)	NT36	Other measures (£) - please describe any additional initiatives that you would like to make and £ to be invested	£	£1.00		£0.00	
		NT37	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. expert hrs)	no. staff expert hours	£84.00		£0.00	
		NT38	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. voluntary hrs)	no. staff volunteering hours	£14.43		£0.00	

TOTAL SOCIAL VALUE MEASURED ON THE PROJECT £6,854,421.82

Appendix I63

TOMs Owner:	Denise Murray
Project:	Alternative at Temple Island construction
PDF Filename:	

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Theme	Outcomes	Ref	Measures - Minimum Requirements <i>Click to view guidance</i>	Units	SOCIAL VALUE PROXY	TARGETS	TOTAL SOCIAL VALUE COMMITTED	EVIDENCE
				How it should be measured	See Table 4: Proxies - Types, Rationale, and value for different stakeholders in the accompanying Guidance document.	Are set by the organisation pledging Social Value - please check the Units column		
Jobs: Promote Local Skills and Employment	More local people in employment	NT1	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£28,920.00	107.00	£3,094,440.00	<p>Based on the total estimated direct jobs (in FTE terms) associated with construction. For consistency we have adopted the same approach as Buckingham, assuming that 25% of those employed are from Bristol BS1 to BS16 and average annual value is based on the proxy values in the model.</p> <p>Use this to record the list of Evidence documents provided for each measure. Click here to view the National TOMs Evidence requirements.</p>
		NT1(A)	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£26,348.00		£0.00	
		NT2	% of local people employed on contract (FTE)	%	£0.00		£0.00	
	More opportunities for disadvantaged people	NT3	No. of employees (FTE) taken on who are long term unemployed (unemployed for a year or longer)	no. people FTE	£14,701.56		£0.00	
		NT4	No. of employees (FTE) taken on who are not in employment, education, or training (NEETs)	no. people FTE	£12,442.91		£0.00	
		NT5	No. of employees (FTE) taken on who are rehabilitating young offenders (18-24 y.o.)	no. people FTE	£14,618.77		£0.00	
		NT6	No. of jobs (FTE) created for people with disabilities	no. people FTE	£12,769.68		£0.00	
		NT7	No. of hours dedicated to supporting unemployed people into work by providing career mentoring, including mock interviews, CV advice, and careers guidance (over 24 v.o.)	no. hrs*no. attendees	£94.28		£0.00	
		NT8	Local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (No. hours, includes preparation time)	no. staff hours	£14.43		£0.00	
	Improved skills for local people		No. site visits for school children or local residents that last at least 3hr				£0.00	
		NT9	No. of training opportunities on contract (BTEC, City & Guilds, NVO, HNC) that have either been completed during the year, or that will be supported by the organisation to completion in the following years - Level 2, 3, or 4+	no. opportunities	£235.75		£0.00	
		NT10	No. of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation to completion in the following years - Level 2, 3, or 4+	no. opportunities	£168.04		£0.00	
			No. of employment taster days for those interested in working in the relevant industry	no. days*no. attendees			£0.00	
	Improved employability of young people	NT11	No. of hours dedicated to support young people into work (e.g. CV advice, mock interviews, careers guidance) - (under 24 v.o.)	no. hrs*no. attendees	£94.28		£0.00	
		NT12	No. of weeks spent on meaningful work placements or pre-employment course; 1-5 weeks student placements (unpaid)	no. weeks	£143.94		£0.00	
		NT13	Meaningful work placements that pay Minimum or National Living wage according to eligibility - 6 weeks or more (internships)	no. weeks	£143.95		£0.00	
		NT14	Total amount (£) spent with VCSEs within your supply chain	£	£0.12		£0.00	
		NT15	Provision of expert business advice to VCSEs and SMEs (e.g. financial advice / legal advice / HR advice/HSE)	no. staff expert hours	£84.00		£0.00	
More opportunities for local SMEs and VCSEs	NT16	Equipment or resources donated to VCSEs (£ equivalent value)	£	£1.00		£0.00		
	NT17	Number of voluntary hours donated to support VCSEs (excludes expert business advice)	no. staff volunteering hours	£14.43		£0.00		
	NT18	Total amount (£) spent in LOCAL supply chain through the contract.	£	£0.89	31,903,314.24	£28,393,949.68		
	NT19	Total amount (£) spent through contract with LOCAL SMEs.	£	£0.89		£0.00		
Improving staff wellbeing	NT20	Demonstrate commitment to work practices that improve staff wellbeing, recognise mental health as an issue and reduce absenteeism due to ill health. Identify time dedicated for wellbeing courses	no. hrs*no. attendees	£95.95		£0.00		
	NT21	Diversity training provided for contractors and subcontractors	no. hrs*no. attendees	£95.95		£0.00		
A workforce and culture that reflect the diversity of the local community	NT22	Percentage of procurement contracts that includes commitments to ethical procurement, including to verify anti-slavery and other relevant requirements. Percentage of contracts with the supply chain on which Social Value commitments, measurement and monitoring are required	% of contracts	£0.00		£0.00		
Social: Healthier, Safer and more Resilient Communities	Social Value embedded in the supply chain	NT23	Initiatives aimed at reducing crime (e.g. support for local youth groups, lighting for public spaces, private security, etc.)	£ invested including staff time	£1.00		£0.00	
		NT25	Initiatives to be taken to tackle homelessness (supporting temporary housing, schemes, etc.)	£ invested including staff time	£1.00		£0.00	
	Creating a healthier community	NT26	Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc) or wellbeing initiatives in the community, including physical activities for adults and children.	£ invested including staff time	£1.00		£0.00	
		NT27	Initiatives to be taken to support older, disabled and vulnerable people to build stronger community networks (e.g. befriending schemes, digital inclusion clubs)	£ invested including staff time	£1.00		£0.00	
	Vulnerable people are helped to live independently		Donations or in-kind contributions to local community projects (£ & materials)	£ value	£1.00		£0.00	
		NT28	No hours volunteering time provided to support local community projects.	no. staff volunteering hours	£14.43		£0.00	
	More working with the Community	NT29	Support provided to help local community draw up their own Community Charter or Stakeholder Plan	£ invested including staff time	£1.00		£0.00	
		NT30	Savings in CO2 emissions on contract not from transport (specify how these are to be achieved).	tonnes CO2e	£64.66		£0.00	
	Environment: Protecting and Improving Our Environment	Climate impacts are reduced		Embodied carbon reductions in CO2e emissions against baseline.	tonnes CO2e	£64.66		£0.00
			NT32	Car miles saved on the project (e.g. cycle to work programmes, public transport or car pooling programmes, etc.)	hundreds of miles saved	£1.53		£0.00
Air pollution is reduced		NT33	Number of low or no emission staff vehicles included on project (miles driven)	hundreds of miles driven	£0.67		£0.00	
		NT34	Voluntary time dedicated to the creation or management of green infrastructure, to increase biodiversity, or to keep green spaces clean	no. staff volunteering hours	£14.43		£0.00	
Better places to live		NT35	Percentage of procurement contracts that includes sustainable procurement commitments or other relevant requirements and certifications (e.g. to use local produce, reduce food waste, and keep resources in circulation longer.)	% of contracts	£0.00		£0.00	
		NT36	Other measures (£) - please describe any additional initiatives that you would like to make and £ to be invested	£	£1.00		£0.00	
Sustainable Procurement is promoted		NT37	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. expert hrs)	no. staff expert hours	£84.00		£0.00	
		NT38	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. voluntary hrs)	no. staff volunteering hours	£14.43		£0.00	
Innovation: Promoting Social Innovation	Other measures (TBD)							
TOTAL SOCIAL VALUE MEASURED ON THE PROJECT							£31,488,389.68	



The National TOMs 2018: Social Value Calculator for Measurement

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For further guidance on completing the calculator, please get in touch with the National TOMs helpdesk at: support@socialvalueportal.com

Appendix I64

TOMs Owner: Denise Murray
 Project: Alternative at Temple Island Operation
 PDF Filename:

Print Measurement Calculator to PDF

Reset Measurement Calculator

Theme	Outcomes	Ref	Measures - Minimum Requirements <i>Click to view guidance</i>	Units How it should be measured	SOCIAL VALUE PROXY See Table 4: Proxies - Types, Rationale, and value for different stakeholders in the accompanying Guidance document.	TARGETS Are set by the organisation pledging Social Value - please check the Units column	TOTAL SOCIAL VALUE COMMITTED
Jobs: Promote Local Skills and Employment	More local people in employment	NT1	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£28,920.00	1,443.00	£41,731,560.00
		NT1(A)	No. of local people (FTE) employed on contract for one year or the whole duration of the contract, whichever is shorter.	no. people FTE	£26,348.00		£0.00
		NT2	% of local people employed on contract (FTE)	%	£0.00		£0.00
	More opportunities for disadvantaged people	NT3	No. of employees (FTE) taken on who are long term unemployed (unemployed for a year or longer)	no. people FTE	£14,701.56		£0.00
		NT4	No. of employees (FTE) taken on who are not in employment, education, or training (NETs)	no. people FTE	£12,442.91		£0.00
		NT5	No. of employees (FTE) taken on who are rehabilitating young offenders (18-24 y.o.)	no. people FTE	£14,618.77		£0.00
		NT6	No. of jobs (FTE) created for people with disabilities	no. people FTE	£12,769.68		£0.00
		NT7	No. of hours dedicated to supporting unemployed people into work by providing career mentoring, including mock interviews, CV advice, and careers guidance (over 24 y.o.)	no. hrs*no. attendees	£94.28		£0.00
		NT8	Local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (No. hours, includes preparation time)	no. staff hours	£14.43		£0.00
	Improved skills for local people	NT9	No. site visits for school children or local residents that last at least 1hr				£0.00
		NT9	No. of training opportunities on contract (BTEC, City & Guilds, NVQ, HN/C) that have either been completed during the year, or that will be supported by the organisation to completion in the following years - level 2, 3, or 4+	no. opportunities	£235.75		£0.00
		NT10	No. of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation to completion in the following years - level 2, 3, or 4+	no. opportunities	£168.04		£0.00
	Improved employability of young people	NT10	No. of employment taster days for those interested in working in the relevant industry	no. days*no. attendees			£0.00
NT11		No. of hours dedicated to support young people into work (e.g. CV advice, mock interviews, careers guidance) - (under 24 y.o.)	no. hrs*no. attendees	£94.28	£0.00		
NT12		No. of weeks spent on meaningful work placements or pre-employment course: 1-5 weeks student placements (unpaid)	no. weeks	£143.94	£0.00		
NT13		Meaningful work placements that pay Minimum or National Living wage according to eligibility - 6 weeks or more (Internships)	no. weeks	£143.95	£0.00		
Growth: Supporting Growth of Responsible Regional Business	More opportunities for local SMEs and VCSEs	NT14	Total amount (£) spent with VCSEs within your supply chain	£	£0.12	£0.00	
		NT15	Provision of expert business advice to VCSEs and SMEs (e.g. financial advice / legal advice / HR advice / HSE)	no. staff expert hours	£84.00	£0.00	
		NT16	Equipment or resources donated to VCSEs (£ equivalent value)	£	£1.00	£0.00	
		NT17	Number of voluntary hours donated to support VCSEs (excludes expert business advice)	no. staff volunteering hours	£14.43	£0.00	
		NT18	Total amount (£) spent in LOCAL supply chain through the contract.	£	£0.89	24,449,511.63	£21,760,065.35
		NT19	Total amount (£) spent through contract with LOCAL SMEs.	£	£0.89	3,075,086.21	£2,736,826.73
		NT20	Demonstrate commitment to work practices that improve staff wellbeing, recognise mental health as an issue and reduce absenteeism due to ill health, identify time dedicated for wellbeing courses	no. hrs*no. attendees	£95.95	£0.00	
	Improving staff wellbeing	NT21	Diversity training provided for contractors and subcontractors	no. hrs*no. attendees	£95.95	£0.00	
	A workforce and culture that reflect the diversity of the local community	NT22	Percentage of procurement contracts that includes commitments to ethical procurement, including to verify anti-slavery and other relevant requirements.	% of contracts	£0.00	£0.00	
	Ethical Procurement is promoted	NT23	Percentage of contracts with the supply chain on which Social Value commitments, measurement and monitoring are required	% of contracts	£0.00	£0.00	
	Social Value embedded in the supply chain	NT24	Initiatives aimed at reducing crime (e.g. support for local youth groups, lighting for public spaces, private security, etc.)	£ invested including staff time	£1.00	£0.00	
		Crime is reduced	NT25	Initiatives to be taken to tackle homelessness (supporting temporary housing schemes, etc.)	£ invested including staff time	£1.00	£0.00
		Creating a healthier community	NT26	Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc) or wellbeing initiatives in the community, including physical activities for adults and children.	£ invested including staff time	£1.00	£0.00
NT27			Initiatives to be taken to support older, disabled and vulnerable people to build stronger community networks (e.g. befriending schemes, digital inclusion clubs)	£ invested including staff time	£1.00	£0.00	
Vulnerable people are helped to live independently	NT28	Donations or in-kind contributions to local community projects (£ & materials)	£ value	£1.00	£0.00		
More working with the Community	NT29	No hours volunteering time provided to support local community projects	no. staff volunteering hours	£14.43	£0.00		
	NT30	Support provided to help local community draw up their own Community Charter or Stakeholder Plan	£ invested including staff time	£1.00	£0.00		
	NT31	Savings in CO2 emissions on contract not from transport (specify how these are to be achieved).	tonnes CO2e	£64.66	£0.00		
Environment: Protecting and Improving Our Environment	Climate Impacts are reduced	NT32	Embodied carbon reductions in CO2e emissions against baseline.	tonnes CO2e	£64.66	£0.00	
		NT32	Car miles saved on the project (e.g. cycle to work programmes, public transport or car pooling programmes, etc.)	hundreds of miles saved	£1.53	£0.00	
	Air pollution is reduced	NT33	Number of low or no emission staff vehicles included on project (miles driven)	hundreds of miles driven	£0.67	£0.00	
		NT34	Voluntary time dedicated to the creation or management of green infrastructure, to increase biodiversity, or to keep green spaces clean	no. staff volunteering hours	£14.43	£0.00	
	Better places to live	NT35	Percentage of procurement contracts that includes sustainable procurement commitments or other relevant requirements and certifications (e.g. to use local produce, reduce food waste, and keep resources in circulation longer.)	% of contracts	£0.00	£0.00	
Sustainable Procurement is promoted	NT36	Other measures (£) - please describe any additional initiatives that you would like to make and £ to be invested	£	£1.00	£0.00		
	NT37	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. expert hrs)	no. staff expert hours	£84.00	£0.00		
	NT38	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. voluntary hrs)	no. staff volunteering hours	£14.43	£0.00		
Innovation: Promoting Social Innovation	Other measures (TBD)	NT38	Other measures (hrs) - please describe any additional initiatives that you would like to make and hrs to be committed (No. voluntary hrs)	no. staff volunteering hours	£14.43	£0.00	
TOTAL SOCIAL VALUE MEASURED ON THE PROJECT							£66,228,452.08

EVIDENCE
<p>Use this to record the list of Evidence documents provided for each measure. Click here to view the National TOMs Evidence requirements.</p> <p>Based on direct employment estimates (in FTE terms) from BCC of the alternative AI site development. We have assumed a leakage rate outside of Bristol of 20%.</p> <p>Estimated supplier spend for office developments which has been backwards induced from the indirect GVA. On an annual basis, taken from year 6 (when all developments have come online). We have used the indirect multiplier for SIC code 70. We have assumed a leakage rate of 20%.</p> <p>Estimated supplier spend for retail developments which has been backwards induced from the indirect GVA. On an annual basis, taken from year 6 (when all developments have come online). We have used the indirect multiplier for SIC code 47. We have assumed a leakage rate of 20%.</p>

Summary of the social and economic value of each development

	Temple Island Arena			Mixed Use Temple Island		
	Construction (Buckingham estimate)	Operation (annual)	Total	Construction	Operation (annual)	Total
Total value	£52,020,199	£6,854,422	£58,874,621	£31,488,390	£66,228,452	£97,716,842
Social Value	£16,325,047	£2,959,840	£19,284,887	£3,094,440	£41,731,560	£44,826,000
Economic Double Count	£35,695,152	£3,894,582	£39,589,734	£28,393,950	£24,496,892	£52,890,842
Summary Page 309	The social value estimates have been taken from Buckingham estimate of Social Value generated in Bristol. Buckingham have used the National TOMs Framework and proxy measures which in the estimation be based on a combination of UK indirect multipliers, regional and local rates.	The social value associated with the operation of Temple Island has been estimated using the average supply chain spending of the Arena Operator, sourced from the P&L account supplied by the Operator. We have assumed a 17.5% leakage rate at a Bristol level in line with the KPMG Temple Island Arena: value for money assessment.	Indicative - for illustration purposes only	The social value associated with the alternative development at Temple Island has been calculated using the estimated supply chain spending associated with the construction of the development. Supply chain spending has been derived from backward inducing spending from the indirect GVA. We have adopted the same approach as Buckingham, assuming that 25% of those employed are from Bristol BS1 to BS16.	The social value associated with the operation of the alternative development on Temple Island has been calculated using estimates of the supply chain spending. Supply chain spending has been derived from backward inducing spending from the indirect GVA. We have adopted a leakage rate of 25% at a Bristol level based upon the KPMG report 'Assessment of alternative development plans for the Temple Island site'.	Indicative - for illustration purposes only
Notes All estimates have been estimated using the Social Value TOMs database. All 'operation' impacts are on an annual basis. All 'construction' impacts are for the period of construction. For consistency and to facilitate comparisons the values and proxy measures are those utilised by Buckingham in conjunction with the Social Value Portal.						

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