

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 01 May 2018

TITLE	Colston Hall	
Ward(s)	Central Ward directly (the whole city, region and nationally operationally)	
Author:	Colin Molton	Job title: Interim Executive Group Director Growth & Regeneration
Cabinet lead:	Mayor & Cllr Craig Cheney	Executive Director lead: Colin Molton
Proposal origin: <i>Other</i>		
Decision maker: Cabinet Member Decision forum: <i>Cabinet</i>		
Purpose of Report: The purpose of the report is to seek approval for the overall project and to delegate to officers the appointment of the contractor(s) for the proposed works and progressing with various legal contracts and financing arrangements.		
Evidence Base: Colston Hall has been Bristol's largest live music and arts venue for 150 years, playing an important part of the city's cultural life which is a key element of the region's growing economy. Colston Hall is a Bristol City Council owned freeholding asset with a peppercorn lease granted to Bristol Music Trust (BMT) for the operational activities. It is a large Grade 2 listed building, in a complex / constrained site. It has a capacity of 2,075, hosting a programme of pop, jazz, world and classical music as well as stand-up comedy but has suffered from a lack of maintenance and modernisation with no major refurbishment to the existing building for the last 60 years. The Council is working in collaboration with Bristol Music Trust to support the much needed redevelopment of Colston Hall, which requires substantial renovation and building long-term financial resilience. In this regard, the project is also aimed at enabling sustainable growth for BMT as a business, reducing its reliance on public funds and supporting BMT to focus on outcomes targeted at their charitable work. The aim is by 2022 to have an internationally award winning music events building, performance and education programme fit for the City for this century, which supports the City's cultural ecology. The problems we are trying to resolve and the objectives we are trying to achieve are: <ol style="list-style-type: none"> 1) The inherent tension of having a historic grade two-listed asset (Colston Hall), which requires substantial renovation. 2) Supporting a national and international recognised music trust we established which has grown the cultural offering of the City, as well as delivering a unique music provision to all sections of the community. 3) Building long-term financial resilience, the development is aimed at enabling sustainable growth for the business, reducing its reliance on public funds and supporting the music trust to focus on outcomes targeted at their charitable work. The conversion of Bristol's largest concert hall into a modern, sustainable venue will enhance the cultural offer of the City and enable Colston Hall to maximise the income potential of the building, whilst supporting wider economic		

benefits, attracting events that will draw people in from the sub-regional catchment areas.

Recommendations:

To approve the aims and objectives of the overall project and, subject to the condition set out below, to delegate authority to implement actions to give effect to the project as follows:

- 1) The Executive Group Director Growth and Regeneration in consultation with the s151 Officer is authorised to appoint the contractor(s) for the redevelopment work.
- 2) The Executive Group Director Growth and Regeneration in consultation with the s151 Officer and Monitoring Officer is authorised to provide letter(s) of support to Bristol Music Trust (in relation to the conditions that pertain to the Council in respect to the Arts Council, HM Government grants and/or any other grant).
- 3) The Executive Group Director Growth and Regeneration in consultation with the s151 Officer and Monitoring Officer and relevant Executive Member is authorised to negotiate and execute the various legal agreements (including the consideration of a 99 year lease) to progress the project.
- 4) The s151 Officer in consultation with the Executive Group Director Growth and Regeneration is authorised to re-profile the capital programme in-line with the phasing of funds illustrated in sub section 4 under the financial commentary within this report.
- 5) The s151 Officer is authorised to determine the terms and conditions to be applied to the underwriting facility of up to £12m.

The above authority is subject to:

- 1) Continued development of the RIBA work packages for the cost plan showing that the renovation works will remain within the total maximum project envelope of £48.8m.
- 2) Continued business plan work will be undertaken in partnership with the BMT during the next five years to support the BMT to move towards financial sustainability post 2022/23.

Cabinet notes that the BMT executive, have made significant improvements over the last seven years to the financial situation of the Hall and culture of the City.

Corporate Strategy alignment:

Directly supports the Key Commitment *Keep Bristol a leading cultural city, helping make culture, sport and play accessible to all.*

City Benefits:

- 1) Improves the cultural offering of the city and music industry leading to economic growth.
- 2) Improves music education to circa 90% of children in the City.
- 3) Establishes the national SEND music centre.
- 4) Music also supports improved mental health. <http://www.nature.com/search?q=music+and+mental+health+>
- 5) Support BMT in reducing its financial reliance on the use of public funds

Consultation Details:

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

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

Revenue Cost	The Council currently provides £1.026m per annum revenue funding to Bristol Music Trust (BMT). This is expected to reduce by £500,000 per annum from 20/21 onwards.	Source of Revenue Funding	General fund budget form Culture Services
Capital Cost	The redevelopment project has an overall cost envelope of up to £48.8m - £10m as per the existing capital programme - Provision of a £5m underwriting facility - Further forward funding and cash-flow the project up to £7m due to the phasing of funds still to be raised.	Source of Capital Funding	The Council's Prudential borrowing and external public and private funding raised by BMT
One off cost <input checked="" type="checkbox"/> Ongoing cost <input type="checkbox"/>		Saving Proposal <input checked="" type="checkbox"/> Income generation proposal <input type="checkbox"/>	

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

1. Finance Advice: This section provides a financial update on the Colston Hall project since the Cabinet consideration in June 2017 and seeks approval to progress the capital scheme, and delegate to appropriate officers' authority to progress the project and to ensure effective delivery, subject to the estimated cost of works remaining within the agreed envelope of £48.8m.

1. BMT Fund raising progress to date

The total project envelope is defined at £48.8m. The Council in support to Bristol Music Trust (BMT) will be required to underwrite the overall redevelopment project and BMT is responsible for fund raising. As at the end of March 2018, BMT has identified £41.8m (86%) of funding commitments / pledges from public and private sectors. These include a £10m capital contribution and a £5m underwriting facility provided by the Council. BMT has been asked to continue their fund raising efforts beyond the construction phase if necessary in order to meet the repayment commitments for the underwriting facility and other funding gaps if any. To date, the fund raising gap (£7m) remains within areas of Naming rights and donations from Trusts and Foundations, corporates and individuals.

It should be noted that the current funding gap / risk for the Council, including the provision for the underwriting facility is £12m in total. Whilst the Council's agreed capital programme incorporates an overarching programme contingency, such a large call, in the context of existing and emerging risks, could have significant implications for financing the programme.

The table below sets out current project funding assumptions:

Sources of Funding - Strategy	Sources of Funding - Strategy		
	Strategy £m	Pledged £m	Gap £m
Bristol City Council (BCC)	10.0	10.0	0.0
Arts Council England (ACE)	10.0	10.0	0.0
Naming rights	3.3	0.0	3.3
LEP	5.0	5.0	0.0
Government	5.0	5.0	0.0
HLF	4.8	4.8	0.0
Trusts and Foundations	3.0	0.7	2.3
Individuals	2.4	1.2	1.1
Corporates	0.4	0.1	0.3
Underwriting Facility (BCC)	5.0	5.0	0.0
Total	48.8	41.8	7.0

2. ACE Grant Requirement for the Council

The £10m ACE grant to BMT includes a number of requirements on the Council within its staged drawn down conditions, these include:

- Written confirmation from the Council that it will maintain its revenue commitments to BMT at levels already agreed (£1m p.a.) until reopening, and £526k p.a. from reopening (20/21) until March 2022;
- Confirmation of the agreement with the Council for repayment of underwriting and the basis of the underwriting facility for review;
- A lease of at least 30 years from practical completion of the building works without a break clause.

BMT has recently submitted a proposal to the Council requesting the Council to consider granting the new lease for 99 years rather than 30 years (the latter required by the Arts Council). BMT has indicated that a longer term lease will be seen as more attractive to donors for funding opportunities. It is recommended that in considering a 99 year lease, a link should be established between the conditions upon which such lease would be granted and BMT's delivery of fund raising prior to build completion and the business plan evidences long-term financial sustainability.

3. BMT's Funding and financial relationship with the Council

3.1 Entrustment agreement and Service level Agreement

The Council currently provides £1.026m per annum revenue funding to BMT. This funding is underpinned by an Entrustment Agreement and a Service Level Agreement covering the delivery of cultural services in the City with Measurable Outcomes. The table below illustrates the Council's funding to BMT by these outcome measures:

Entrusted Service Measurable Outcomes	£
Facilitate communities to engage and access to performances for inclusion and diversity, e.g. free event and discounted tickets	146,578
Enable Partnerships and support local musicians	103,422
Support music educations in the city	447,000
Stimulate Bristol's vibrant identity e.g. contribution to local events, branding and discounted use of venues to support local communities	329,000
Total Funding from the Council	1,026,000

Please see Appendix A for detailed KPIs under each of the headings above.

As part of the Council's MTFP Key Resourcing Principles, the Council will work in partnership with grant receiving bodies, in this case BMT, for the development which is aimed at enabling sustainable growth and building a resilient business, hence reducing its financial reliance on the Council in the long run. It is included in the Council's budgets that the Council's funding to BMT will reduce at least by £500,000 per annum from 20/21 onwards after the completion of the phase II redevelopment.

4. Indicative Project Cash Flow and Funding Risk

Indicative cash flow below is provided for illustrative purposes only based on funds pledged to date. This indicates the need for the Council to forward fund the cash flow of the project.

	16/17	17/18	18/19	19/20	20/21	Total
	£000	£000	£000	£000	£000	£000
Project cost profile	1,328	1,771	14,388	26,576	4,698	48,760
<i>Funded by:</i>						
BCC Capital funding as per Current Capital programme	(1,135)	(1,771)	(7,094)			(10,000)
BCC Underwriting Facilities	0	0	(5,000)			(5,000)
Other non-BCC Funding Pledged to Date	(193)	0	(2,195)	(23,930)	(463)	(26,781)
Current Funding Gap (risk to the Council if any crystallises)	0	0	(99)	(2,646)	(4,235)	(6,979)

*Please note re-phasing would be required under the capital programme to align cash flows.

By essentially underwriting the entire project, the Council would be exposed to any financial risks associated with the project which include funding risk, construction risk and refund risks if grant conditions are not satisfied. BMT will enter into a collaboration agreement with the Council, which stipulates BMT's fund raising obligations until all targets are achieved. BMT is required to continue their fund raising efforts, if necessary beyond the project completion phase, in order to meet any forward funding repayment commitments, this includes e.g. the £5m underwriting facility provided by the Council and any part of the £7m funding risk (in table above) if crystallises.

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

Please see exempt appendix J for further financial commentary relating to those elements deemed exempt for the reasons set out below.

Finance Business Partner: Tian Ze Hao

Date: 18 April 2018

2. Legal Advice:

The recommendations commit the Council to underwrite the Capital Project in full, against reimbursement from funds that have not yet been fully raised by BMT. The financial risk to the Council is being mitigated by BMT being contractually obliged to continue fundraising until all funds have been raised and to transfer funds to BCC., A separate underwriting agreement (on terms to be determined) for £5m is to be provided from the outset. There remains a risk in proceeding with this approach given that BMT does not have sufficient reserves to underwrite any shortfall or failure in fundraising. It should be noted that the Trustees are to hold no personal liability for the Colston Hall project.

The recommendations will see the Council enter in to the construction contract for the works required at Colston Hall. This will entail regular payments to be made by the Council to the contractor until completion. Most of the necessary funds will be available from BMT with the remainder relying on ongoing fundraising. In the event of there being a shortfall the Council could halt construction at any point, should it consider that to be the most appropriate decision, but there would be substantial costs associated with termination of the construction contract.

Appendix H summarises the position with the various legal agreements which underpin the project.

Legal Team Leader: Eric Andrews, Team Leader, Legal Services 11/4/18

3. Implications on ICT: There are no identifiable IT implications in this initiative.

ICT Team Leader: Ian Gale

4. HR Advice: No anticipated HR implications

HR Partner: Celia Williams HR Business Partner Communities

EDM Sign-off	Colin Molton	17 th April 2018
Cabinet Member sign-off	Cllr Cheney	27 th March 2018
CLB Sign-off	Jacqui Jensen	17 th April 2018
For Key Decisions - Mayor's Office sign-off	Mayor's Office	29 th March

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	YES
Appendix G – Financial Advice (see Financial Advice in previous sections)	NO
Appendix H – Legal Advice	YES
Appendix I – Combined Background papers <ul style="list-style-type: none"> • Bristol Music Trust annual report - https://www.colstonhall.org/wp-content/uploads/2017/07/Bristol-Music-Trust-Annual-Report-2016-17.pdf • Bristol's Culture strategy - https://www.bristol.gov.uk/documents/20182/1803352/City+of+Openness%2C+Imagination+and+Originators+-+A+Strategy+for+Bristol+Culture/80fc1bd3-149f-5420-2982-6353aa415988 	
Appendix J – Exempt Information – schedule 12a Local Government Act paragraph 3 – information relating to the financial or business affairs of a particular person including the authority holding that information.	YES
Appendix K – HR advice	NO
Appendix L – ICT	NO