Assessment of alternative plans for an arena in Bristol

A KPMG report for Bristol City Council

June 2018
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1 Executive summary

1.1 About the study

KPMG was appointed by Bristol City Council (“BCC”) in 2017 to perform a Value for Money (VfM) assessment of proposals to develop an arena at Temple Island ("the Temple Island Arena"). During the course of this review BCC informed KPMG of alternative proposals to provide an arena, specifically a private sector led proposition for an arena and complementary facilities, to be located at the Brabazon Hangar in Filton, 5 miles from Bristol City Centre, brought forward by YTL Developments Limited ("YTL").

This report provides a review of the proposal for an arena within the Brabazon Hangar in Filton ("the Filton Arena"). The KPMG review covers the following main areas:

— A comparative assessment of the strategic case for the Filton Arena versus the current plans for the 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 Filton Arena.
— An assessment of the strength of the economic case for the proposed Filton Arena, including consideration of 'additionality'.
— Comparison of the levels of public investment required for the Filton Arena compared to the Arena at Temple Island.

Further details of the proposal for the Arena at Filton, including the size of the development, 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 and YTL in the period up to 11 May 2018, as well as various sources of external data, such as from the Office for National Statistics (ONS). A list of the information and data provided to us is set out in Section 2. All KPMG analysis has been conducted based on the data provided. KPMG cannot be held responsible for the integrity of the data provided nor for any gaps in the evidence base.

It should be noted that as the development plans for the Filton Arena are still in relatively early stages of planning, there was limited data and information made available to us. 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

In general, with the exception of site specific matters, the objectives that BCC has set for the Temple Island Arena could potentially be delivered by the proposed Filton Arena. The BCC objectives for the Temple Island Arena and KPMG’s assessment of the extent to which they could be met by the Filton Arena are set out in Section 3.1 of this report.

As the proposed Filton Arena is a private sector led development, BCC may have limited control over the delivery of some of the objectives, particularly around the quality of design and accessibility of the Filton Arena. There may also be more limited scope to achieve wider BCC objectives for Bristol, such

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1 As detailed in the FBC submitted to the West of England Local Enterprise Partnership (LEP) to secure funding.
as the delivery of work experience and apprenticeship placements and community engagement initiatives\(^2\).

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 £53.0m by Mott MacDonald’s desk top study. This high-level study was for twin tracking but subsequent discussions indicate this may not be necessary, in which case BCC estimate the cost will be significantly lower.

We understand that public funding is already set aside or committed for the Metrobus Extension and MW2 projects irrespective of the Filton Arena going ahead. 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.

**Figure 1: Summary of Public Sector Funding and Financing contributions to the Arena options**

<table>
<thead>
<tr>
<th>£m nominal</th>
<th>Temple Island Arena</th>
<th>Filton Arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCC Capital Contribution</td>
<td>£25.9m</td>
<td>-</td>
</tr>
<tr>
<td>LEP Funding(^3)</td>
<td>£53.0m</td>
<td>£53.0m</td>
</tr>
<tr>
<td>Value of land contributed</td>
<td>£12.5m</td>
<td></td>
</tr>
<tr>
<td><strong>Total Public Sector Funding</strong></td>
<td><strong>£91.4m</strong></td>
<td><strong>£53.0m</strong></td>
</tr>
<tr>
<td>Net Level of PWLB finance required (excluding amounts repaid through LEP funding)(^4)</td>
<td>£92.0m(^5)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Public Sector Funding and Financing</strong></td>
<td><strong>£183.5m</strong></td>
<td><strong>£53.0m</strong></td>
</tr>
</tbody>
</table>

Source: BCC, KPMG analysis.

Subject to the reallocation of the £53.0m of LEP funding being approved, up to £53m could be directed at local infrastructure improvements and not the Filton Arena itself. BCC has told us that YTL has agreed that this represents a cap on the public sector’s funding for this project. This compares to £91.4m of public sector funding for the Temple Island Arena, in addition to a further £92.1m of borrowing from Public Works Loan Board (PWLB). The borrowing that is required to fund the Temple Island Arena exposes BCC to greater risks. These risks come in both the servicing of the debt during, and the residual value of the site at the end of the concession. Additional borrowing for an arena exposes BCC to greater risk and the financial return from the Temple Island Arena is not sufficient to fully compensate for this risk if priced on commercial terms. Please refer to our Temple Island Area: Value for Money Assessment report for further detail on the commercial strategy for the Temple Island Arena.

If the alternative developments are deliverable, there is now a weaker strategic rationale for public sector intervention of the proposed Arena project on the Temple Island site.

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\(^2\) We note that YTL has indicated that it would develop a community engagement plan should the development progress. However, there is no certainty at this stage that it would be delivered or what it would include.

\(^3\) LEP funding is used to repay PWLB loan finance over the first 18 years of operation for the arena at Temple Island. For the Filton Arena, the funding is used toward the cost of transport infrastructure in the Filton area. All LEP funding is subject to approval by the LEP and a decision by BCC to use that funding for this purpose.

\(^4\) PWLB Finance shown net of LEP funding contribution toward debt costs.

\(^5\) Totals may not appear to sum correctly due to rounding differences.
1.3 Key findings: Financial and deliverability risks and commercial readiness of the proposal for an Arena at Filton

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 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 proposal is subject to a higher level of delivery risk in comparison to the Temple Island Arena due to it being at an earlier stage of development. Significant further work needs to be done by YTL in relation to development cost, returns, specification and commercial structure. YTL has provided KPMG with technical advisor reports noting the technical feasibility of the Arena within the Brabazon Hangar. It is outside the scope of KPMG to assess the reasonableness of these reports.

Whilst no detailed financial forecasts have been provided to KPMG, YTL acknowledge that the commercial feasibility of the Filton Arena is limited in its own right (it is unlikely to generate a commercial level of return, although YTL forecast it will pay back the initial investments within 15-20 years). YTL expect that the Filton Arena and associated transport infrastructure upgrades will have a catalytic effect on the YTL owned residential development surrounding the Arena that makes this financially worthwhile for them. Given they note £1.5bn of development in the area, this is plausible, although no analysis has been provided to KPMG to quantify this.

Set against this is the desire of YTL to become a leading UK property developer, with the Filton Airfield and Arena development being a flagship for its ambitions. It also intends to retain a long term interest in the existing site and operate the Arena, which better aligns its interests with those of BCC compared to developing the sites and then exiting to other investors.

If successful, YTL’s proposal delivers an arena with limited financial risk to BCC. The opportunity to use private capital to fund an arena is rare in the UK and we understand is driven by YTL’s broader project at the Filton Airfield, as well as its desire to grow its UK property development business. Nonetheless 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.

YTL is a global infrastructure and real estate developer and has indicated it has the financial resources required to fund the £100m required to develop the Arena and the associated public realm works, alongside its wider Filton Airfield project. YTL has a high quality credit rating from a Malaysian credit rating agency of AA1, which we note is investment grade and over £2.4bn in cash on its balance sheet at the time of the latest audited recent financial year end.

YTL has indicated that an assumption of their development of the Filton Arena is agreement to the following major infrastructure projects. This will have a public cost. The estimated cost of these infrastructure projects is set out in Figure 2 below.

<table>
<thead>
<tr>
<th>Project</th>
<th>Total capital cost (£m)</th>
<th>Existing funding already committed (£m)</th>
<th>Additional public funding required (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MetroWest 2 – Rail Extension to Bristol</td>
<td>43.0</td>
<td>43.0</td>
<td>-</td>
</tr>
<tr>
<td>Temple Meads⁶</td>
<td>35.0</td>
<td>35.0</td>
<td>-</td>
</tr>
<tr>
<td>Metrobus Extension – Phase 2⁷</td>
<td>35.0</td>
<td>35.0</td>
<td>-</td>
</tr>
</tbody>
</table>

⁶ Based on information provided by BCC Transport Team
⁷ Based on information provided by South Gloucestershire Council
These projects are at varying levels of development, with MetroWest 2 and Metrobus Extension planned and funded to an agreed level. These figures are Network Rail GRIP Stage 2/3 and may well increase or decrease during the further development stages. The Bristol Parkway extension costs are based on a high level study from Mott McDonald, which assumed twin tracking but subsequent discussions indicate this may not be necessary, in which case BCC estimate the cost will be significantly lower. The design development and costs will be subject to further revision as the scheme progresses.

Decisions have not been made as to the source of this public funding in the event that BCC elected to proceed with the Filton Arena, although it is noted that if the Arena does not proceed at Temple Island then £53m of Local Enterprise Partnership (LEP) funding will be saved that could potentially be repurposed, subject to LEP funding approval and a revised business case. 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. Completion of these three infrastructure projects will have benefits beyond the proposed Filton Arena, although assessment of those further benefits is beyond the scope of KPMG’s work.

YTL has indicated that to progress plans to a greater stage of commercial readiness, they require a six month exclusivity period. This is necessary to give YTL a reasonable basis for spending a considerable amount of money to develop a detailed scheme. YTL has informed us that in order to secure outline planning permission, it will need BCC not to progress with the Temple Island Arena to satisfy the sequential test requirement. At that time, YTL’s bargaining position with BCC will be strengthened and so seeking firm commitments from YTL where possible should be prioritised. In particular, contractual commitments from YTL to the Filton Arena should be put in place prior to committing any further public funding to the transport infrastructure upgrades.

1.4 Key findings: The economic assessment of the proposed Filton Arena and Value for Money

KPMG estimates the potential Gross Value Added (GVA) and employment that could be generated through:

1. the construction of the Filton Arena;
2. the operation of the Filton Arena, including the indirect and induced impacts associated with the supply chain and employees’ spending of wages in the wider economy;
3. the additional spending of the attendees to Filton Arena events; and
4. the potential business rates income to be received by BCC from the Filton Arena.

KPMG’s economic assessment is predicated on the deliverability of the scheme and the achievement of YTL’s projections in terms of employment and attendees. 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. We note that YTL’s projections for both direct employment and attendees are considerably higher than the forecasts for

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8 Per Mott McDonald study estimate, which was for twin tracking but subsequent discussions indicate this may not be necessary, in which case the cost will be significantly lower.

9 BCC estimate – no supporting evidence provided.

10 Whilst BCC estimate a further £8m to £10m is required to enhance the new station at Filton, YTL has agreed that it will fund these works and are in discussions with NR about the scope and costs, which still need to be confirmed.
the Temple Island Arena. This may be linked to the higher capacity and number of events at the Filton Arena.

A summary of the estimated net GVA impacts (in Net Present Value (NPV) terms\(^{11}\)) and employment (in Full-Time Equivalent (FTE) terms\(^{12}\)) is shown in Figure 3.

**Figure 3: Net GVA (in NPV terms) and employment (in FTEs) associated with the proposed development of the Filton Arena over 25 years**

<table>
<thead>
<tr>
<th></th>
<th>Net GVA</th>
<th>25 years</th>
<th>Net employment</th>
<th>Business rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>West of England</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>£56.6m</td>
<td>83</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arena operation</td>
<td>£192.1m - £202.9m</td>
<td>254 - 301</td>
<td></td>
<td>£8.8m</td>
</tr>
<tr>
<td>Attendee spending</td>
<td>£551.9m - £627.0m</td>
<td>975 - 1,111</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£810.6m - £896.5m</strong></td>
<td><strong>1,312 - 1,495</strong></td>
<td></td>
<td><strong>£8.8m</strong></td>
</tr>
<tr>
<td><strong>Bristol</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>£59.7m</td>
<td>74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arena operation</td>
<td>£183.9m - £193.7m</td>
<td>248 - 294</td>
<td></td>
<td>£8.8m</td>
</tr>
<tr>
<td>Attendee spending</td>
<td>£485.7m - £551.8m</td>
<td>858 - 977</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£729.3m - £805.2m</strong></td>
<td><strong>1,180 - 1,345</strong></td>
<td></td>
<td><strong>£8.8m</strong></td>
</tr>
</tbody>
</table>

Source: KPMG analysis

Our analysis of net impacts is at the West of England level. 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. In particular, as we detail in Figure 20 in the main body of the report, 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. We note, however, that YTL has agreed to work with BCC and Destination Bristol to set up ticket packages, including City Centre hotels, parking and transport, for the Arena events. This may mitigate the leakages from the City Centre of Filton Arena attendee spending to some degree.

In addition to the estimated economic impacts detailed in Figure 3 above, YTL has stated to KPMG that the Filton Arena development could have a catalytic impact on the wider site – bringing the development forward more quickly by raising the profile of the Filton site across the West of England region, as well as nationally\(^{13}\). It considers that the Filton Arena project would effectively "kick-start" the wider development and could drive a higher development rate, particularly for the residential developments, although is unable to quantify the potential impacts of this.

There is also the potential for the development of the Filton Arena to catalyse the development of the East and West Bays of the Brabazon Hangar. However, given a lack of certainty around the timing of redevelopment and the potential use, we have not estimated the economic impacts that would be associated with this. We note that if the Filton Arena were to catalyse their development it would add to the overall economic case for the Filton Arena.

1.5 **Summary conclusions**

**Potential for the strategic benefits of the Arena business case to be met at Filton:** With the exception of site specific objectives, the objectives that BCC has set for the Temple Island Arena could potentially be met by the proposed Filton Arena.

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\(^{11}\) To estimate the results in NPV terms we applied a social time preference rate (STPR) discount rate of 3.5% for the first 25 years of the developments' operations, based on the HM Treasury Green Book guidance.

\(^{12}\) 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.

\(^{13}\) As part of this study we have not assessed what, if any, impact any higher rate of residential development on the Filton site could have on the wider residential market in Bristol and the West of England.
Potential for higher economic impact than at Temple Island: Based on YTL’s direct employment and attendee figures, the Arena at Filton delivers a strong economic impact with an NPV of up to £776.9m over a 25 year time frame. We note that this is greater than the proposed Temple Island Arena. Given the higher economic impacts and lower public funding requirement it has a higher Benefit Cost Ratio (BCR).

Figure 4: Comparison of the value for money of the Temple Island Arena and Filton Arena at a West of England level over 25 years

<table>
<thead>
<tr>
<th></th>
<th>Temple Island Arena</th>
<th>Filton Arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net GVA (in NPV terms)</td>
<td>£489.1m</td>
<td>£744.0m - £829.9m</td>
</tr>
<tr>
<td>Capital costs</td>
<td>£148.0m</td>
<td>£53.0m</td>
</tr>
<tr>
<td>BCR</td>
<td>3.2:1</td>
<td>14.0:1 – 15.7:1</td>
</tr>
<tr>
<td>NPV</td>
<td>£282.6m</td>
<td>£591.0m - £776.9m</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

The higher economic impact results primarily from higher employment and attendee projections associated with the Filton Arena in comparison to the Temple Island Arena. As noted, YTL has provided little detailed analysis to support these estimates.

Some of this economic benefit is outside of Bristol: The analysis above is at a West of England level. At a Bristol level there is likely to be some leakage of economic benefit from the Filton Arena outside of Bristol and diversion of economic impacts away from the City Centre due to location.

Low level of commercial readiness drives deliverability risks: The Filton Arena is at an early stage of planning, and as such, there is a lack of detail as to its deliverability. In particular, we note that, as the detailed design for the Filton Arena is developed, should costs escalate, YTL could choose not to proceed. In addition there are key dependencies on wider infrastructure projects that carry further risk.

KPMG note that YTL’s objective for developing an arena at Filton is for wider strategic reasons than financial return from the Filton Arena alone. However, YTL has not provided any comment on the level of financial cost, at which the Filton Arena would become unviable for them.

Supporting infrastructure works costs are subject to potential further cost: There is a high level of uncertainty as to the costs of the supporting infrastructure works, with an additional funding requirement of £53m per preliminary estimates carried out to date. Further work is required to define BCC’s financial liabilities in respect of these supporting schemes and its level of commercial risk in delivery. BCC has stated to KPMG that if the reallocation of the LEP funding of £53m from Temple Island to infrastructure upgrades in north Bristol is approved then BCC would look to support the development and delivery of the associated public and highway infrastructure, up to a level of £53m. BCC has stated that any cost increases would be for YTL’s account (subject to contract). This principle has not been set out in any formal agreement.

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14 The estimated NPV captures the economic impact generated through the construction, operation and attendee spending associated with the Filton Arena. The NPV does not include any of the wider benefits that may be associated with the transport infrastructure that may be brought forward with the LEP funding, nor does it include any impact from development that is catalysed on the wider Filton site or any quantification of the potential social benefits associated with the arena.

15 It should be noted that our analysis of the economic impacts of the Filton Arena does not include an assessment of the economic impacts associated with the supporting transport infrastructure package. This was not in the scope of our work. Nor does the BCR capture any of the economic impact associated with catalysed developments on the wider Filton site or the potential social impacts that may be associated with the arena. As a result, the BCR does not reflect the full scope of economic benefits from the additional public sector contribution toward the package. The BCR, therefore, is not a comparative assessment of costs and benefits and is provided for indicative purposes only.
2 About the study

2.1 Development proposals for the Bristol Arena

An arena for Bristol

Bristol is the only UK core city that does not have a major arena\textsuperscript{16}.

BCC has developed plans, and secured £53.0m of funding from the West of England LEP for a proposed 12,000 (10,000 seated) capacity arena to be situated on the former Diesel Depot site within the Temple Quarter Enterprise Zone (BTQEZ), located close to Bristol Temple Meads train station (referred to as “Temple Island”).

In August 2017, KPMG was commissioned by BCC to undertake a value for money 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. However, there are a number of associated factors such as the changes to the Temple Island project, the proposed Filton Arena and the proposed alternative development for the Temple Island site that have changed the value for money of the Temple Island Arena project.

Details of the scope of this study and KPMG’s findings are set out in KPMG’s Temple Island Arena: Value for Money Assessment Report and accompanying confidential Background Document.

In the time period over which these reports were being developed, a private sector led proposition for an alternative arena in Bristol was brought forward by YTL, an infrastructure conglomerate. It has developed a competing proposition to build a privately financed arena in the Brabazon Hangar on its Filton site, 5 miles from Bristol City Centre.

The Filton site, purchased by YTL in 2015, covers a total of 142 hectares\textsuperscript{17} to the north of Bristol City Centre and is split across the border of Bristol and South Gloucestershire. The site was formerly used by Concorde as a manufacturing site and airfield.

YTL has already developed plans, and been granted planning permission, for part of the Filton site. It plans to deliver a mixed use development, including 2,675 homes, three schools, a retail centre and 26 hectares of employment space\textsuperscript{18}.

This approved development does not yet include plans for the Brabazon Hangar, which is a complex of three separate former aircraft hangars: the 13,500 sq m Central Bay and the East and West Bays, both measuring 8,500 sq m. The Brabazon Hangar is on the Bristol side of the Filton site and is within the boundaries of the Filton Enterprise Area.

YTL has proposed that it would develop a privately financed arena in the Brabazon Hangar (“the Filton Arena”). It is proposed that the Central Bay would be re-purposed into a 16,000 seat capacity arena, with a bowl floorspace of approximately 3,000 sq m. Additionally, YTL has suggested that its arena development would include over 5,000 sq m of food and beverage retail space, spread over multiple service outlets, and would have up to 40 corporate hospitality boxes, each with a capacity of 18 people.

YTL has indicated to BCC that it projects that the Filton Arena would attract approximately 600,000 attendees in its initial year, rising up to 1.3 million by its fifth year of operation. It envisages a schedule


\textsuperscript{17} https://www.ribaj.com/intelligence/filton-airfield-intelligence-eleanor-young

\textsuperscript{18} http://www.ytlproperty.co.uk/
of 75 events in year 1, 90 in year 2, 100 in year 3, 120 in year 4 and 140 events in year 5 and thereafter. YTL has suggested that between 20% and 30% of the events would be large “Big Hero Grade A” events.

The broader development surrounding the Filton Arena sits at the heart of YTL’s rationale to develop an arena there. The Filton Arena and the supporting infrastructure could reasonably be expected to increase the land value of the site both through place-making and the local infrastructure improvements proposed from BCC or the LEP. Furthermore, having a 16,000 seat capacity arena at the heart of the development will, in YTL’s view, give it national recognition, which, as it seeks to become a major force in UK property development, is of significant reputational benefit.

In order to deliver the Filton Arena development, we understand from BCC and YTL that supporting transport infrastructure developments will be required. Specifically, the infrastructure projects that are expected to be delivered include:

1. A rail link between Bristol Temple Meads and Filton stations. This is planned to be delivered as part of the MW2 project.

2. A rail link between Bristol Parkway and Filton North stations. This development is still in the very early stages of planning and will not feature as part of MW2. An initial feasibility into this development has been undertaken by Mott MacDonald and assumed twin tracking but subsequent discussions indicate this may not be necessary. Further work is required to define the scope of works.

3. The Metrobus Extension. This will be part funded through the Cribbs Patchway New Neighbourhood (CPNN) development. YTL will be required to deliver part of the Metrobus Extension route through the Filton Airfield site. YTL has confirmed that this will be delivered to tie in with the opening of the Metrobus Extension.

As a result of additional passenger volumes due to the Arena, station enhancement work is also planned. Further details of this proposed transport infrastructure package is included in Section 4. As we explain in Section 4, we understand that plans to deliver the MW2 and the Metrobus Extension developments are already in place and are likely to proceed irrespective of whether the Filton Arena development proceeds.

In addition to developing the Arena in the Central Bay of the Brabazon Hangar, YTL has suggested that over a longer timeframe, potentially up to 5 years after the development of the Filton Arena, it may also develop the East and West Bay hangars. Further details of these potential developments and wider development that YTL considers may be catalysed through the development of the Arena in Filton are set out in Section 5.3.3.

BCC has indicated to us that if the Filton Arena goes ahead, it intends to make an investment into it. At present, the size and structure is not yet known but BCC is currently working on the assumption of having a £5m equity stake. We understand that this is not a requirement from YTL but that it is open to this commercial arrangement. From BCC’s perspective, this is desirable to able to exert influence on the strategy and direction of the Arena and to align its interests with YTL, for example by taking a seat on the board.

We understand that YTL has asked BCC to grant an exclusivity period of 6 months to further develop the Filton Arena proposition and develop a detailed design. YTL has informed us that it will require BCC, at some point during or towards the end of that period, to withdraw support for the Temple Island Arena. We understand that this would, in effect, end the prospect of the Arena at Temple Island. YTL has confirmed that it will be in a position to submit an outline planning application within the 6 month exclusivity period.
2.2 Scope of work

In August 2017, KPMG was commissioned by BCC to undertake a value for money review of the proposed Arena on the Temple Island site. Given the YTL proposals that came forward for the Filton Arena development, KPMG was subsequently commissioned to undertake a review of YTL’s alternative proposal of an arena in the Brabazon Hangar.

Specifically, KPMG was commissioned by BCC to undertake a further review covering the following main areas:

1. An assessment of the strategic case for the Filton Arena, including consideration of how the proposition affects the strength of the strategic case for an arena and the opportunity to deliver key objectives of BCC, such as housing and employment growth in the respective locations.

2. An assessment of the rationale for public sector intervention to bring forward the Filton Arena and any deadweight associated with the public sector funding requested (i.e. if the Filton Arena could go ahead without the funding, or with lower levels of funding).

3. Identification, and assessment, of the key financial and deliverability risks of the Filton Arena and the extent of commercial readiness of the options, where appropriate with comparison to the existing Temple Island Arena development proposal.

4. An assessment of the strength of the economic case for the Filton Arena development proposal, including consideration of ‘additionality’, specifically whether there are any potential unintended consequences, such as leakage of benefits outside of Bristol and the West of England and if it may result in any displacement of activity from Bristol City Centre.

Our work draws on information and data made available to KPMG by BCC and YTL in the period up to 11 May 2018. This information and data were made available to us, both in the form of written documents and orally in meetings with the parties. Specifically, we were provided with the following information:

- the proposed capacity and floorspace of the Filton Arena, including proposed food and beverage space and the number and capacity of corporate hospitality boxes;
- the projected attendee numbers and number of events;
- the estimated total construction cost of the Filton Arena development and timeframe for development;
- the estimated number of permanent and causal employees (split by broad category of role), in Full Time Equivalent (FTE) terms;
- YTL’s initial thoughts on the marketing of the Filton Arena, including a potential partnership with Destination Bristol; and
- YTL’s initial plans for a local sourcing policy and community engagement activities.

Additionally, to conduct our assessment we sourced data and information from a number of external public sources. This includes official statistics published by the ONS, data and information from the Homes and Communities Agency (HCA) and existing research, analysis and economic literature from a range of sources.

Given that the alternative development plans for the Filton Arena are still in relatively early stages of planning, there was limited data and information made available to us by YTL for the purposes of our study. For example, KPMG has not had sight of YTL’s initial feasibility studies for the Filton Arena development, including any financial projections for the operation of the Arena or development.

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19 Deadweight refers to the outcomes which would have occurred without the project being brought forward.
20 The HCA was replaced by Homes England in January 2018.
This is not unusual for a project at this stage of development, but there are considerable risks yet to be resolved, particularly with respect to commercial feasibility and deliverability.

As a result, KPMG has only been able to conduct a high level review and VfM assessment of the Filton Arena based on the available information. We would expect that, should BCC grant YTL the exclusivity period it has requested, that BCC would receive further clarity on a number of the outstanding matters. Furthermore, as additional information becomes available and as the plans progress, 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.
3 The strategic case for the alternative development proposals

3.1 Rationale for public intervention

The HM Treasury Green Book\textsuperscript{21} states that within the strategic case of a business case developed for a project, policy or programme, the rationale for public intervention should be considered.

The case for public sector intervention in the Temple Island Arena, as set out in the Full Business Case (FBC)\textsuperscript{22} produced for the LEP as a bid for public funding, is based on three main arguments:

1. It is rare for an arena project to be brought forward by the private sector.

2. The benefits gained from the Temple Island Arena will mostly be public benefits and as a result, the project is not seen as commercially viable for private investors.

3. The Temple Island Arena will act as a catalyst for the development of the wider area. The Temple Island site 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.

As noted in our Temple Island Arena: Value for Money Assessment Report, it is important to assess the rationale for public sector intervention and how the validity of this rationale may have changed over time. It is particularly important to reassess the strategic rationale for public funding of the Temple Island Arena given that since the FBC, YTL’s private sector led proposition for the Filton Arena has been brought forward. If deliverable, and shown to deliver BCC’s objectives (as set out in Section 3.2 below) and generate a similar or higher BCR, YTL’s private sector led proposition for the Filton Arena weakens the strategic rationale for public sector intervention of the proposed Temple Island Arena.

Our assessment of the deliverability of YTL’s Filton Arena proposal is detailed in Section 2 of this report and our assessment of the potential BCR of the Filton Arena is detailed in Section 6.

The proposed Filton Arena development would not require direct public intervention (funding) to bring forward the development of the Arena itself.

However, YTL has stated that it will require public sector cooperation through the delivery of three transport infrastructure packages (detailed in Section 2 above). Two of these infrastructure packages are planned and funded and will go ahead irrespective of the Filton Arena. The third infrastructure project, a rail link between Bristol Parkway and Filton North, is in the early stages of planning. It is possible that, in the event that the Filton Arena is pursued, all or part of the £53m of LEP funding designated for the Temple Island Arena could be repurposed to bring forward this infrastructure. However, we understand from BCC that the decision to proceed with this infrastructure project is not solely dependent on the Filton Arena. It is subject to a separate business case appraisal and would deliver wider benefits to the West of England beyond catalysing the delivery of the Filton Arena. It is not within the scope of this report to assess these wider impacts.


\textsuperscript{22}Bristol City Council (2016) Bristol Arena Full Business Case.
3.2 Delivery of BCC’s key objectives for an arena and for Bristol

As part of our assessment of the strategic case for the proposed Filton Arena, we have considered how this proposal could affect the opportunity to deliver BCC’s key objectives for the delivery of an arena in Bristol as well as the achievement of its broader objectives for the City, for example, in terms of housing and employment growth.

To do this, we have considered the objectives for the delivery of the proposed Arena on Temple Island, stated in the FBC submitted to the West of England LEP in 2016 and the extent to which these objectives could be met through the proposed Filton Arena.

We have also reviewed the key stated objectives of BCC in its Corporate Strategy (2018-2023) and considered the extent to which the Filton Arena proposal could deliver against them. This assessment also draws on the review of the objectives of the original Temple Island Arena and their strategic fit, set out in our Temple Island Arena: Value for Money Assessment Report.

3.2.1 Arena objectives and strategic fit of the alternative developments

In the FBC 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. These objectives are presented in Figure 5 below alongside KPMG’s assessment of the extent to which these objectives could be delivered by the proposed Filton Arena.

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23 Bristol City Council (2016) Bristol Arena Full Business Case.
### Figure 5: KPMG assessment of the extent to which the Filton Arena may meet the objectives set for the Temple Island Arena

<table>
<thead>
<tr>
<th>FBC objectives</th>
<th>KPMG assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Arena experience will:</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Create a “return again” experience for its customers.</td>
<td>The ability of an arena to create a return again experience is likely to depend on a number of factors, including the quality of events staged and appeal to audiences and the customer experience at events, including accessibility, quality and provision of services such as food and beverages, satisfaction with Arena staff, the quality of the events, etc. In addition, at 16,000 seat capacity, the Filton Arena will be able to attract and host “Big Hero Grade A” performers. Ensuring that the acts the Arena is hosting are in demand, it will contribute towards a return again experience for attendees.</td>
</tr>
<tr>
<td>1.2 Provide a vibrant “Bristol Experience” for visitors to make our Arena different from others.</td>
<td>We have not been provided with any details of how YTL plans to differentiate the proposed Filton Arena from other arenas. Howver, as noted above, its commercial success will depend on being able to attract attendees as well as in-demand acts for its event schedule. To do this it would need to effectively compete for attendees and acts.</td>
</tr>
<tr>
<td>1.3 Be at the forefront of Arena programming and content.</td>
<td>YTL has stated that it intends to stage a diverse range of events at the Filton Arena, including “Big Hero Grade A” performers. While there is a lack of detail of the event schedule at this stage to assess whether this will be at the forefront of arena programming and content, as noted above, it will be in YTL’s commercial interests to deliver an arena that could effectively compete with other UK arenas both for</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
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<tr>
<td>1.4</td>
<td>Provide appropriate transport links to match public expectations.</td>
</tr>
<tr>
<td></td>
<td>As explained in Section 2, there are plans to develop a transport infrastructure package that will improve accessibility to the Filton site. The MW2 project, which will include a rail link between Temple Meads and Filton; and the Metrobus Extension project will improve the public transport links to the Filton site. In addition, a rail link between Bristol Parkway and Filton North station is currently being considered with an initial feasibility study completed. This project would, however, be subject to the granting of public sector funding and approval of a business case. It will improve infrastructure links for the surrounding area and, should the Filton Arena proceed, provide good transport links for Arena attendees and employees.</td>
</tr>
<tr>
<td>1.5</td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>We also understand from YTL and BCC that there will be provision for car parking for Filton Arena attendees. We consider that this would support the delivery of transport plans to match public expectations.</td>
</tr>
<tr>
<td>1.6</td>
<td>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).</td>
</tr>
<tr>
<td></td>
<td>YTL has provided KPMG with initial thoughts on potential community engagement activities that could be undertaken in relation to the Filton Arena. In particular, YTL has suggested that it has the intention to deliver “local minority event productions that may not be commercially viable but deliver a local benefit (subject to agreeing the details)”</td>
</tr>
<tr>
<td>2.1</td>
<td>Be flexible enough in design to be future-proofed for changes in the entertainment market and to meet Bristol’s expectations.</td>
</tr>
<tr>
<td></td>
<td>Given the scale of investment that YTL would be making in a long term arena asset, we consider that it likely would be in YTL’s commercial interest to develop an arena that is flexible to accommodate changes in the entertainment market and to address market demand (from Bristol attendees and more widely).</td>
</tr>
<tr>
<td>2.2</td>
<td>Be flexible enough to accommodate a wider range of content, including music concerts, family entertainment shows, sports and other events.</td>
</tr>
<tr>
<td></td>
<td>Although the event schedule has not yet been developed in detail by YTL, it has indicated that it would plan to stage a range of events, including music concerts and sports events. However, detailed designs for the Filton Arena have not yet been developed, therefore, we are unable to assess the extent to which the design will incorporate the ability to be flexible for different events. We note that at 16,000 seat capacity, the proposed Filton Arena will be one of the...</td>
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largest arenas in the UK. As a larger arena, we consider that the Filton Arena will be more likely to be able to accommodate the "Big Hero Grade A" events, which will, typically, not be staged at smaller arenas.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3 Be delivered to budget and to a quality set out in the Employers Requirements.</td>
<td>This objective is very specific to the Temple Island Arena. Employers Requirements have not been developed for the Filton Arena. In terms of budget, we also note that as a private sector development the cost of the project, including any overruns, will fall to YTL rather than BCC.</td>
</tr>
<tr>
<td>2.4 Be special, of a good quality, with an outstanding level of environmental performance.</td>
<td>Detailed designs for the Filton Arena have not yet been developed. Therefore, given a lack of detailed plans we are unable to comment on the quality standards, including environmental performance and accessibility and the extent to which objectives in relation to this may be met.</td>
</tr>
<tr>
<td>2.5 Provide a key piece of cultural infrastructure to enable pathways for progression for artists and performers.</td>
<td>In developing the Filton Arena, this would provide a key piece of cultural infrastructure to allow artists and performers to reach audiences. At this stage, there are no details of how YTL would specifically support the progression of artists and performers.</td>
</tr>
<tr>
<td>2.6 Be accessible and meet the latest access requirements.</td>
<td>Detailed designs for the Filton Arena have not yet been developed, therefore we are not able to assess the accessibility of the Arena. However, in accordance with the Equality Act 2010, YTL will have a duty to make reasonable adjustments to ensure that disabled persons can access goods and services.</td>
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**The Arena will:**

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<th>Objective</th>
<th>Details</th>
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<tr>
<td>3.1 Raise the profile of the city on the national and international stage.</td>
<td>We consider that the Filton Arena has the potential to raise the profile of the city, given that it would be in YTL's commercial interest to actively market the Arena and deliver a programme of high profile events to attract wide audiences. Furthermore, we understand that it is YTL's intention to market the Arena as a Bristol Arena. However, we note that the Filton Arena's out-of-centre location could result in a proportion of Arena attendees not travelling to Bristol City Centre. At present, there is no information available on the expected travel patterns of Arena attendees so we are unable to assess the extent to which this may occur. YTL has stated that it intends to partner with Destination Bristol and Bristol wide hotels, restaurants and tourist partners to offer event packages to attendees. These plans are still in the early stages of development so there is no detailed information available on the exact packages that would be offered or expected levels of take-up. However, these packages could encourage attendees to travel into Bristol City Centre.</td>
</tr>
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<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2</td>
<td>Have a public realm interface with the rest of the site, which encourages visitors and creates a “destination” experience for “Arena Island”.</td>
<td>This objective specifically relates to the location of an Arena on Temple Island. Therefore, it is not applicable to the Filton Arena. We note, however, that the Filton Arena would be integrated within the wider development of the Filton site, with public realm improvements included as part of the plans.</td>
</tr>
<tr>
<td>3.3</td>
<td>Deliver jobs to the community during the construction period and then operational period.</td>
<td>In Section 5, we estimate the employment impacts associated with the construction and operation of the Filton Arena. This analysis suggests that the Filton Arena would create jobs in the local area, albeit with potentially higher levels of leakage outside of Bristol (compared to the Temple Island Arena) due to the Filton Arena’s out-of-centre location and proximity to South Gloucestershire.</td>
</tr>
<tr>
<td>3.4</td>
<td>Assist in making the BTQEZ more accessible and drive improvements permeability to the south of Temple Meads station.</td>
<td>This objective specifically relates to the location of an Arena on Temple Island. The Filton Arena development would have no impact on the accessibility of the BTQEZ.</td>
</tr>
</tbody>
</table>

Source: Bristol City Council (2016) Bristol Arena Full Business Case.
In general, with the exception of objectives 2.3, 3.2 and 3.4 which are specific to an Arena on the Temple Island site only, the objectives that BCC set out for the Arena in the FBC are not specific to any one location. Therefore, as we assess in Figure 5 above, the objectives could potentially be delivered by the proposed Filton Arena.

However, as the proposed Filton Arena is a private sector led development, BCC may have limited control over the delivery of some of the objectives, particularly around community engagement and the quality of design and accessibility of the Filton Arena. It 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 conditions attached to any equity stake BCC may take in the Filton Arena. We understand from BCC that it is in discussions with YTL regarding activities that could be included within planning conditions and contractual arrangements that would help to ensure the delivery of BCC’s objectives for an arena (subject to contract).

3.2.2 **Overview of BCC’s key stated objectives for the City**

In addition to the objectives of the Bristol Arena detailed in the FBC, we have considered the extent to which the proposed Filton Arena creates the opportunity to deliver the broader objectives of BCC.

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.”

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. Although an Arena in Bristol or the Filton site are not explicitly mentioned in the Strategy, the following key commitments are included:

— “Make sure that 2000 homes – 800 affordable – are built in Bristol each year by 2020.

— Develop a diverse 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 connect people to people, people to jobs and people to opportunity.

— Keep Bristol a leading cultural city, helping to make culture, sport and play accessible.”

These commitments are relevant to the Filton Arena plans, as we assess below.

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Our assessment of the extent to which the Filton Arena itself could meet BCC’s objectives for the City is largely unchanged from our Temple Island Arena: Value for Money Assessment Report assessment of how the Temple Island Arena could deliver against these.

The key BCC objective for the City that the Filton Arena would deliver relates to the contribution it would make toward BCC’s commitment to “keep Bristol a leading cultural city, helping make culture, sport and play accessible to all”, as well as delivering economic activity (to support economic growth) and employment.

Housing, social and economic equality and social care are key priorities identified by BCC in its Corporate Strategy which, largely, the Arena project will not address. However, we note that:

— As detailed in Section 5.3, YTL has suggested that the development of the Filton Arena would likely have some catalytic effects on its development of the wider Filton site. This site will provide new homes; employment space; a retail centre; public services; and community facilities and recreational spaces. YTL has indicated to us that after the opening of the Filton Arena, the increased footfall could speed up the development of the wider site, although the potential extent of this is unclear at this stage. As the majority of the housing development on the Filton site will be within the boundaries of South Gloucestershire this would not contribute towards BCC’s housing target, but will contribute towards the West of England Combined Authority (WECA) target of building 105,500 new homes by 2036.

— The Filton Arena would be a private sector led development that would not require BCC funding (beyond the funding for the transport infrastructure). Therefore, the BCC funding that would be required for the Temple Island Arena would be freed up. This means that the Filton Arena may indirectly support the delivery of BCC’s objectives for the City through the diversion of BCC funding to other priorities.

— Depending on the community engagement plans put in place by YTL and its provision of work experience and apprenticeship opportunities, the Filton Arena could have an impact on social and economic equality. We understand from YTL that it is currently in discussion with education providers to develop specific educational courses, apprenticeships and/or work experience schemes. Any courses, apprenticeships or work experience schemes will be related to activities relevant to the operation of an arena, such as catering, hospitality or facility management. Due to the early stage of the proposals, these community engagement plans are still in development and YTL has not set any target levels for the number of persons who could benefit. However, YTL has suggested that these work experience schemes would be integral to YTL’s community engagement plans. It has also suggested that it would work with the Prince’s Trust South West to create opportunities for young people across Bristol and the West of England. However, until commitments are in place and targets set it is unclear to what extent BCC objectives associated with social and economic equality may be achieved.

27 See Section 5 for our assessment of the potential economic impacts associated with the proposed Filton Arena development.
29 The economic and social impacts associated with the arena are assessed as part of our VfM review, although impacts on inequality have not be previously assessed; therefore do not form part of our assessment.
30 http://www.ytlproperty.co.uk/
4 Financial and commercial considerations for the proposed Arena

4.1 Background

This section reviews the commercial deliverability of the proposed Filton Arena. It should be noted that the financial and commercial elements of the project are at an early stage of development. YTL has taken initial steps to explore the feasibility of the Arena, but our analysis is based primarily on conversations held with YTL, with limited third party documentation or supporting evidence.

In this section we:

— provide an overview of YTL Developments Limited;
— review the key elements of YTL’s offer to develop, construct, fund and operate the Filton Arena;
— set that offer in the context of YTL’s broader development plans in Filton, given that that drives the rationale for a commercial investment in an arena;
— outline what YTL requires of BCC and the other public sector funders in the West of England;
— review the commercial readiness of the scheme; and
— consider the key risks for BCC in light of the above.

We understand that YTL is asking BCC for a six month exclusivity period to work up the detailed design. YTL has informed us that this will require BCC, at some point during or at the end of that period, to designate the Brabazon Hangar as the Arena location and withdraw support for the Temple Island Arena, driven by planning permission requirements. Prior to BCC withdrawing their support an agreement will have to be in place between BCC and YTL to ensure that the Filton Arena delivers the outcomes required by BCC. This would, in effect, end the prospect of the Temple Island Arena. At that point BCC’s negotiating leverage with YTL would be diminished.

4.2 YTL Developments Limited

We understand that the Filton Arena would be developed, built, financed, maintained and operated by YTL Developments Ltd.

YTL Developments was setup in November 2016 as a subsidiary of YTL Land and Property UK. Its ultimate owner is Malaysia based parent company – YTL Corporation Berhad. YTL is an infrastructure and real estate conglomerate, owning UK assets such as Wessex Water Services Ltd, a large UK water utility business and The Gainsborough Hotel in Bath, as well as operating cement, construction and telecommunications businesses in Malaysia. Its operations have a global footprint, spanning from Australia to the United States of America.
Figure 6: Summary of UK legal ownership structure

We summarise the key financials of YTL Corporation Berhad from its most recently audited accounts below in Figure 7.

Figure 7: YTL Financial Information

<table>
<thead>
<tr>
<th>Financial Information</th>
<th>2017 Audit Accounts (Year ended June) £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£2,629.2</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>£262.3</td>
</tr>
<tr>
<td>Cash on Balance Sheet</td>
<td>£2,423.6</td>
</tr>
<tr>
<td>Net Assets</td>
<td>£4,171.4</td>
</tr>
</tbody>
</table>

As far as we are aware, from a credit rating perspective, YTL is not covered by the 3 main credit rating agencies; Fitch, Standard & Poor’s and Moody’s. However, we note that a Malaysian based credit rating company, RAM Ratings who are part-owned by Fitch, issued a credit rating of AA1/Stable in January 2018. This rating is an investment grade, and the second highest rating available, indicating a “high safety of timely payment and principal”. YTL’s UK team has outlined in discussions with KPMG that the Malaysian parent company is committed to funding the UK operations, including its developments at Filton and the Filton Arena, as part of its strategy of breaking into the UK market.

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32 Note this is a highly summarised depiction of YTL’s UK assets, showing the most relevant entities to the proposed project and is not a complete list of all YTL owned entities.
33 Figures are converted from Malaysia Ringgit at a rate of 1MYR = £0.18, as at 12th April 2018 based on information in YTL Corporate Berhad’s Annual Report 2017
We also note key financials of YTL’s UK operations – YTL Utilities (UK) Limited – from its most recently audited accounts in Figure 8 below.

**Figure 8: YTL Utilities (UK) Limited Financial Information**

<table>
<thead>
<tr>
<th>Financial Information</th>
<th>2017 Audited Accounts (Year ended June) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>571.5</td>
</tr>
<tr>
<td>Net Profit</td>
<td>139.3</td>
</tr>
<tr>
<td>Cash on Balance Sheet</td>
<td>97.8</td>
</tr>
<tr>
<td>Net Assets</td>
<td>556.0</td>
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</tbody>
</table>

Source: YTL Utilities (UK) Limited annual report 2017

Although detailed due diligence of YTL Utilities (UK) and its subsidiaries is beyond the scope of this report, we note that the company appears, as at the date of the accounts, well capitalised and the majority of its operations are in stable markets with limited competition, albeit the main subsidiary, Wessex Water Services Limited will be subject to the ongoing Ofwat pricing review into the water industry.

Nonetheless, as YTL diversifies its UK operations further into property development (see Section 4.4) it is likely to be subject to a greater degree of operating risk. We would recommend BCC undertake further due diligence to assess which of the YTL parent company entities will be providing funding and parent company support to the Arena during the development and operating phase.

### 4.3 Commercial proposition at the Filton Arena

YTL proposes to develop an arena at the Brabazon hangar, at Filton Airfield. We summarise the key commercial components of the project in Sections 4.3.1, 4.3.2 and 4.3.3 below.

#### 4.3.1 Arena planning and development

YTL has conducted a high level development appraisal to assess the potential to transform the Brabazon Hangar into a 16,000 seated capacity arena with supporting food and beverage facilities.

To develop it we understand that planning permission would be required from BCC, and that South Gloucestershire Council (SGC) would also be involved in the process, for example with the traffic assessment. Subject to being granted the required six month exclusivity period, YTL plans to develop a detailed design over that time with a view to securing outline planning consent in the second half of 2019. YTL has indicated that it will be in a position to submit an outline planning application within the 6 month exclusivity period.

#### 4.3.2 Arena construction

Subject to the relevant approvals, construction would commence in 2020 and YTL expect the Filton Arena to open in mid-2022. YTL will appoint a construction company to manage the build, and we understand that discussions are underway. KPMG has not been party to those discussions.

We understand the costs would be funded by YTL alone, although this is predicated on broader infrastructure works being completed. We explore the wider infrastructure development in Section 4.5.

YTL has indicated to us:
— That it expects the 16,000 seat arena development, including access, public realm and the associated food and beverage (F&B) facilities, to cost in the region of £100m.

— That this cost is based on “experience, evidence and market value of projects that have been completed in the last 5 years. YTL has factored in an additional 20% to deliver a world class facility”.

— That YTL is projecting a payback period of 15-20 years on its capital, excluding any land value uplift. We note that this is approximately half of the expected payback period of the proposed Temple Island Arena, suggesting a materially more profitable development. YTL assert that this is driven by the larger capacity of the Filton Arena.

— That through utilising the existing building shell of the hangar, YTL expects to be able to construct the Filton Arena for a lower cost than building from scratch at Temple Island. Furthermore, YTL notes that a significant proportion of construction risks relate to ground works, and that once the building has a shell, such as the proposed Arena at Filton, the risk of overruns becomes significantly reduced.

KPMG has not been provided with support for the £100m development cost, income or expenditure assumptions, nor for any of the assertions made by YTL above. YTL has provided the executive summary of a study by RLB undertaken to confirm the technical feasibility of the Arena seating bowl in the Central Bay of the Brabazon Hangar.

Assuming YTL funds all of the development costs, BCC would be not be exposed to any risk of this figure exceeding this quantum. However, should costs materially overrun against budget there is then potential for YTL to cease development. YTL has not provided as to the level of cost that they are willing to sustain before the Filton Arena becomes unviable to it. In our conversations with YTL, its management stated to KPMG that this risk is highly remote, as the development of the Filton Arena would have a catalytic effect on the speed of take up of their Filton Airfield development and the reputational damage done to it through such action would be significant.

4.3.3 Arena operations

YTL plans to operate the Filton Arena itself, and has outlined at a high level the events it would propose to run at the Arena. We are not aware that YTL has any prior experience in running an arena, albeit it has employed experienced personnel to do so, and whilst YTL would absorb the financial impact of the Filton Arena operations not meeting expectation, this may impact the broader economic and social benefits that BCC might expect to derive. YTL intends to develop a dedicated team to operate the Filton Arena with significant expertise from other large scale leisure venues.

Naming Rights revenue is a common source of income on other arenas in the UK, such as the Genting Arena in Birmingham. YTL has not made any final decisions as to its approach to this revenue stream but is considering using its own name to enhance the benefits to its own reputation.

YTL has provided little in the way of detailed financial information to KPMG to review the financial viability of the Filton Arena. Whilst the financial risk of this sits with YTL and not BCC, the risk to BCC is that following further proposal development YTL’s plans materially change or don’t proceed, undermining the strategic, social and economic rationale.

4.4 YTL Filton Airfield development

We understand that YTL is developing the area surrounding the site of the proposed Filton Arena in one of the UK’s largest development schemes, spread over an existing 350 acre site, with a gross development value of £1.5bn, according to YTL34. The development will include 2,675 new homes, as

34 KPMG has not been provided with any supporting information for this figure, which is based on conversations with YTL management.
well as commercial property development, three new schools and other community facilities. We understand it received outline planning permission in 2017 from South Gloucestershire council, having purchased the site from BAE Systems Plc.

YTL plan to develop 200 homes per year over the first years of the development, which will take place over 25 years. YTL intend to retain an interest in the site over that period, for example by retaining ownership of apartments it develops and act as a landlord. Through taking this long term approach, YTL argue it will drive a better development scheme and better align its incentives with those of the community.

This broader development, surrounding the Filton Arena sits at the heart of the YTL’s rationale to develop an arena there. The Filton Arena and the supporting infrastructure could reasonably be expected to increase the land value of the site both through place-making and because of the local infrastructure improvements required from BCC or the LEP. Furthermore, having a 16,000 seat capacity arena at the heart of the development will, in YTL’s view, give it national recognition, which, as it seeks to become a major force in UK property development, is of significant reputational benefit.

The majority of UK arena developments that we are aware of have required some form of public subsidy. The fact that the proposed Filton Arena does not require any direct subsidy is primarily due to the surrounding Filton Airfield project also being developed by YTL, and therefore this represents a unique opportunity for BCC. However, it is noted that the public sector is providing funding through the delivery of infrastructure improvements, some of which are being delivered as part of the wider CPNN development.

4.5 Supporting infrastructure

The broader public infrastructure requirements to support the 16,000 seat Filton Arena are an important component from YTL’s perspective. The total cost of the proposed infrastructure to support the CPNN, North Bristol and an arena in Filton, per YTL, is set out in
Figure 9. Of this, £78m of funding has been secured for the Metrobus Extension and the rail extension to Bristol Temple Meads (MW2).
### Figure 9: Summary of supporting infrastructure requirement

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Cost</th>
<th>Current Funding Position</th>
<th>Further funding required from BCC/ Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rail link to Bristol Parkway</strong></td>
<td>£53.0m</td>
<td>No funding has been secured for this given the very early stages of development.</td>
<td>£53.0m</td>
</tr>
<tr>
<td>A rail transport link from Bristol Parkway station to a new Filton station. 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. This high-level study was for twin tracking but subsequent discussions indicate this may not be necessary, in which case BCC estimate the cost will be significantly lower.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Metro West 2 – Rail link to Bristol Temple Meads</strong></td>
<td>£43.0m&lt;sup&gt;36&lt;/sup&gt;</td>
<td>Per discussions from BCC, we understand this is fully funded i.e. that the required funding has been identified to fund this infrastructure project from the following sources: — £36m City Deal EDF — £3m Local Growth Fund — £2m capital development funding from BCC and SGC — £2m developer funding (plus land)</td>
<td>£0</td>
</tr>
<tr>
<td>A rail transport link to central Bristol at Temple Meads station. This link has been agreed with Network Rail and is scheduled for completion in 2022.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New station enhancement</strong></td>
<td>£10.0m&lt;sup&gt;36&lt;/sup&gt;</td>
<td>It has been agreed that YTL will fund the additional station upgrade work.</td>
<td>£0</td>
</tr>
<tr>
<td>Due to the Arena there will be increased numbers of passengers / fans wanting to use the station. YTL is in discussions with GWR and will provide these facilities on their Filton Airfield site.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Metrobus – Phase 2</strong></td>
<td>£35.0m&lt;sup&gt;37&lt;/sup&gt;</td>
<td>We understand that this is fully funded through the West of England EDF programme.</td>
<td>£0</td>
</tr>
<tr>
<td>Rapid transit bus service to central Bristol. We understand this will be operational in 2022.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We note that all of the schemes are in an early stage of development, and that as a result costs may rise or fall against the outline budgets as the schemes are progressed. In particular we note that the Bristol Parkway rail link is not part of the confirmed plans with Network Rail and the cost estimate is based on a high level desk top study and cost and dates will need to be developed during the next design stages. Should the infrastructure works exceed the agreed costs envelope/ estimates provided

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<sup>36</sup> Figure per email from BCC Transport Planning team
<sup>37</sup> Figure per email from South Gloucestershire County Council
above, there is a risk that BCC and the other funding partners may have to fund any shortfall. There is also a risk of delays in construction, which could impact on YTL’s commercial position in relation to the Arena if not resolved prior to the opening of the Filton Arena.

It is not yet clear or decided which public sector body will meet these costs. We note that if the Temple Island Arena does not proceed, then £53.0m of the LEP funding will be saved and could be repurposed, subject to LEP approval and a revised business case. We have been informed by BCC that it will cap public sector liability for supporting infrastructure works at £53m, which has been discussed and agreed in principle with YTL. We recommend BCC formally agree the limit of any funding support required with YTL before giving formal approval to progress the scheme.

4.5.1 Other considerations

There are a number of additional considerations for BCC to consider in respect of the commercial proposals:

— Based on the assumption that any potential investment into the Arena would be on the same terms as YTL, it would seem reasonable to assume there are limited State Aid implications for BCC to consider. However we would recommend BCC commission further advice to confirm that position once the structure and terms of the investment have been agreed with YTL. Given the relative lack of detail on commercial proposals it is not possible to reach a definitive view at this stage. We note the potential £5m BCC equity investment in the Filton Arena is not material to YTL’s decision making at this stage.

— It is essential to ensure that the transport related impacts of the Arena are fully assessed and an appropriate transport package is realised. To address this BCC, South Gloucestershire Council and YTL have agreed to work together to develop a package that is based on a number of options. These include MetroBus Extension, MW2 and enhanced, Park and Ride sites, the role of bus services, on and off street parking and the control and management of vehicle movements. BCC has informed us that its contribution toward supporting infrastructure works will be capped at £53m.
5 Economic assessment of the proposed Filton Arena

5.1 Overview of economic case analysis

As part of the scope of this Phase 2 report, we were asked by BCC to assess the strength of the economic case for the Filton Arena development proposal.

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. Specifically, we assess the potential additional direct, indirect and induced economic impacts of the proposed development in terms of GVA and employment:

— GVA is a core measure of the economic value of the goods and services produced at an individual project, company, industry or sector level, net of intermediate consumption (e.g. the goods and services that are used in the production process). It estimates the difference between the value of goods and services produced and the cost of inputs used to create those goods and services.

— Generating employment is a key channel through which a development, such as the Filton Arena, could contribute to the economy. We estimate employment in full-time equivalent (FTE) terms. 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.

Our analysis focuses on:

— the GVA and employment impacts associated with construction;

— the GVA and employment impacts generated through the operation of the Arena development, including the indirect and induced impacts associated with the supply chain and employees’ spending of wages in the wider economy;

— the GVA and employment impacts associated with the additional spending of the attendees to Arena events; and

— any economic impacts associated with any wider development of the Filton site directly catalysed as a result of the Filton Arena development.

Our analysis of each of these individual areas are set out in Sections 5.2 and 5.3 below.

In line with the HM Treasury Green Book, we have assessed the additionality of the proposed 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:

39 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 employers 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.
40 GVA is a key component of gross domestic product (GDP), which is a measure of the value of production and is a key indicator of the state of the economy. GVA is used in the estimation of GDP, by aggregating GVA across all industries and sectors in the economy and adjusting for taxes and subsidies at the whole economy level.
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 Filton Arena 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-region\(^{41}\), this is equivalent to the area of Bristol covered by BCC.

In addition to displacement and leakage, the HM Treasury Green Book 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. At present, it is unclear what the deadweight associated with the Filton Arena would be as YTL has, at present, no alternative plans for the Brabazon Hangar. We have therefore been unable to assess the deadweight of the project. Sections 5.2, 5.3.1 and 5.3.2 below provide more detail of our assessment of displacement and other additionality factors associated with the proposed Filton Arena.

The net economic impacts are presented in our analysis in NPV terms, applying a social time preference rate (STPR) discount rate of 3.5%, based on the HM Treasury Green Book guidance.

Our overarching methodology for the economic impact analysis for the Filton Arena is largely in line with the approach used to analyse the potential economic impacts of the Temple Island Arena, as presented in our Temple Island Arena: Value for Money Assessment report. However, it should be noted that due to the relatively early stage of development of plans for the Filton Arena, a comparable level of financial information was not available from YTL, specifically a projected Profit and Loss Statement for the operation of the proposed Arena was not available. Therefore, our analytical approach is based on YTL’s anticipated direct employment figures and attendee numbers. As a result, the analysis is less robust and less detailed than the analysis that we were able to conduct for the proposed Temple Island Arena and the GVA estimates in particular, are based on a high level appraisal approach using average data for the relevant sectors, sourced from the ONS.

The analysis should be viewed as indicative only, and is predicated on the deliverability of the scheme and the achievement of YTL’s projections in terms of employment and attendees.

When financial projections for the Filton Arena are developed by YTL, it will be important to conduct a more detailed assessment of the potential economic impacts. It is likely that the results of the analysis would change in line with adjustments to the data and assumptions underlying the calculations.

It should also be noted that our study does not include an assessment of the potential wider economic impacts associated with the transport infrastructure package that the Filton Arena would rely on. These projects will be subject to separate appraisals and their development is not subject to the Filton Arena development. These schemes are likely to deliver broader economic impacts that are not assessed within the scope of this study.

Our study also does not include an assessment of the potential social benefits that could be delivered if the Filton Arena proceeds. We note, however, that a number of the social impacts associated with delivering a new cultural asset (an arena), as detailed in our Temple Island Arena: Value for Money Assessment report, would apply to the Filton Arena. Our assessment of the extent to which the Filton Arena would meet the objectives set by BCC for the Temple Island Arena, set out in Section 3, also covers a number of social objectives.

\(^{41}\) A sub-region is defined as any spatial area that covers the very local (e.g. 5 miles) through to the local authority district.
5.2 Economic impacts associated with the construction of the proposed Filton Arena

5.2.1 Potential GVA impacts associated with the construction of the proposed Filton Arena

In order to develop the Filton Arena within the Central Bay of the Brabazon Hangar, YTL has told KPMG that it expects to complete a programme of construction works which will include:

— the conversion of the Central Bay hangar into an arena;
— the provision of the required F&B needed to service a 16,000 seat arena;
— the construction of a public pedestrian access footbridge and associated public realm works; and
— the construction of the North Filton station, including the enhanced works.

YTL has indicated to KPMG that its estimated total cost of construction for these development proposals is approximately £100m.

It is anticipated by YTL that the design, planning and construction of the Filton Arena could be undertaken over the course of 3.5 years with completion and opening in Spring/Summer 2022, with a series of “ramp up events”.

Notwithstanding our comments in Section 4 on the financial and commercial risks associated with the delivery of the Filton Arena, we have used YTL’s estimates to assess the potential economic impacts associated with the construction of the proposed Filton Arena.

The construction of the Arena within the Brabazon Hangar 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. However, this impact will be generated for a limited time only – over the construction period.

In order to estimate the economic impact associated with the construction phase of the Filton Arena development, we have applied the ratio of GVA to output for the construction sector to the YTL estimated total construction cost, resulting in an estimate of the direct GVA that may be generated by the Filton Arena development construction.

The indirect and induced construction GVA has been estimated by applying the relevant economic multipliers for the construction industry.42

On this basis, we estimate that the design and construction of the Filton Arena over the 3.5 year design and construction period, could generate:

— gross direct GVA of approximately £40.7m;
— gross indirect GVA of approximately £37.2m; and
— gross induced GVA of approximately £13.9m.

Therefore, the total gross GVA generated through the construction of the Filton Arena development, is estimated to be £91.8m over the 3.5 year design and construction period.

42 Based on Standard Industry Classification (SIC) code of 41, we have applied an ONS indirect multiplier of 1.89 and Scottish Government type I and type II multipliers of 1.60 and 1.86 respectively.
These economic impacts have also been assessed in net terms, accounting for additionality.

We have set out our assessment of the estimated level of additionality associated with the construction in Figure 10 below.

**Figure 10: Assessment of the additionality of construction impacts**

<table>
<thead>
<tr>
<th>Additionality factor</th>
<th>Estimated level</th>
<th>KPMG assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deadweight</td>
<td>-</td>
<td>YTL has indicated that if the Arena is not brought forward within the Brabazon Hangar, the Hangar will continue in its present use. Currently, the East Bay of the Brabazon Hangar is being rented for small scale manufacturing use, whilst the West Bay of the Hangar is used as storage and warehousing by YTL. The Central Bay is not presently being used. YTL has indicated that development investment would be required to support an alternative use, particularly as the Energy Performance Certificate (EPC) rating of the building is low at present. YTL has indicated that this would need to be addressed to make the Hangar lettable. No plans for such investment have been made and YTL has indicated that it is not developing any alternative plans for the Hangars while the opportunity to develop an arena remains. Therefore, in the short to medium term it is unlikely that an alternative use of the Hangar requiring construction/development investment would be brought forward. As a result, the construction of the Arena scheme at Filton is likely to have limited deadweight in the near future.</td>
</tr>
</tbody>
</table>

| 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 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 of 10%. |

| Leakage              | 17.5% at a West of England level 25% at a Bristol level | As the Brabazon Hangar is located in Bristol, construction of the Arena 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. Through the supply chain, however, there will be a level of leakage. It is unlikely that all of the building materials and other resources required in the construction of the Filton Arena will be sourced from 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 regional level we assumed a leakage rate for the construction impacts of 17.5% for indirect and induced impacts. A higher rate of leakage could be expected for Bristol, we have therefore assumed a medium leakage |

Displacement: 10%

Leakage: 17.5% at a West of England level 25% at a Bristol level
level of 25% for Bristol. Our assumptions are based on the levels detailed in the HCA Additionality Guide\(^4^3\).

Source: KPMG analysis

We have applied the additionality assumptions as set out in Figure 10 to estimate the net GVA impacts associated with the construction of the Arena. It should be noted our estimates of net impacts are based on current information, and assumptions of additionality levels produced by the HCA. 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 Filton Arena. Therefore, we may have over- or under-estimated the potential economic impacts associated with the construction of the Filton Arena.

We estimate that the construction of the Arena could generate approximately £82.6m in terms of net total GVA, approximately £66.6m of which will be generated within the West of England. Figure 11 below presents the breakdown of gross and net GVA by the direct, indirect and induced impacts.

Figure 11: Gross and net GVA associated with the construction of the Filton Arena

<table>
<thead>
<tr>
<th></th>
<th>Direct GVA</th>
<th>Indirect GVA</th>
<th>Induced GVA</th>
<th>Total GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross GVA</td>
<td>£40.7m</td>
<td>£37.2m</td>
<td>£13.9m</td>
<td>£91.8m</td>
</tr>
<tr>
<td>Net GVA</td>
<td>£36.6m</td>
<td>£33.5m</td>
<td>£12.5m</td>
<td>£82.6m</td>
</tr>
<tr>
<td><strong>Of which is in the</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>West of England</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(including Bristol)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Of which is in</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bristol</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: KPMG analysis

5.2.2 Potential employment impacts associated with the construction of the proposed Filton Arena

In addition to GVA, the construction of the Filton Arena will also generate employment for the duration of the construction period.

The direct employment impact is estimated based on the construction costs and estimated GVA associated with this. By dividing the estimated annual direct construction GVA by the average annual GVA per FTE for the construction sector\(^4^4\), we estimate that the direct employment associated with the construction of the Arena is 531 gross FTE jobs for the construction period. Assuming that one permanent FTE job is over a 10 year period, the gross jobs associated with the construction of the Filton Arena would be equivalent to 53 permanent FTEs.

Through supply chain spending and wage spending of employees, we estimate that a further 47 indirect and 14 induced FTE jobs, in gross terms, could be generated through the construction of the Arena.

Applying the estimated additionality levels set out in Figure 10 above, we estimate that overall 103 net FTE jobs could be generated through the construction of the Filton Arena. Of these jobs, we estimate that 83 could be generated in the West of England.

\(^4^3\) HCA (2014) Additionality Guide. 4\(^{th}\) Edition

\(^4^4\) Based on SIC code 41: Construction of buildings.
### 5.3 Economic impacts generated through the operation of the proposed Filton Arena

The operation of the Filton Arena will generate ongoing economic impacts directly through the hosting of events, indirectly through spending with suppliers and induced impacts through employees' spending of wages within the local economy.

Furthermore, additional economic impacts will be generated through event attendee spending in the local economy. YTL has provided KPMG with the expected number of attendees and events per annum, set out in Figure 13 below.

#### Figure 13: Number of Arena events and attendees per annum

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of events</th>
<th>Number of attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>75</td>
<td>600,000</td>
</tr>
<tr>
<td>2</td>
<td>90</td>
<td>775,000</td>
</tr>
<tr>
<td>3</td>
<td>110</td>
<td>950,000</td>
</tr>
<tr>
<td>4</td>
<td>120</td>
<td>1,125,000</td>
</tr>
<tr>
<td>5 and onwards</td>
<td>140</td>
<td>1,300,000</td>
</tr>
</tbody>
</table>

Source: YTL

We note that YTL has indicated to KPMG that its estimates of attendee numbers are based on a "detailed benchmarking [that] has been completed against all UK arenas above 13,000 capacity (Leeds, Manchester, Birmingham, Wembley & The O2)."

YTL has provided KPMG with estimated annual attendee numbers for a number of the UK’s arenas, based on information it obtained as part of its benchmarking. This is shown in Figure 14 below, with arena capacity figures.

#### Figure 14: UK arena attendees per annum

<table>
<thead>
<tr>
<th>Arena</th>
<th>Location</th>
<th>Arena capacity</th>
<th>Estimated attendees (per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>O2 Arena</td>
<td>London</td>
<td>21,000</td>
<td>2,700,000&lt;sup&gt;45&lt;/sup&gt;</td>
</tr>
<tr>
<td>SSE Hydro</td>
<td>Glasgow</td>
<td>20,000</td>
<td>1,028,934&lt;sup&gt;46&lt;/sup&gt;</td>
</tr>
<tr>
<td>Genting Arena</td>
<td>Birmingham</td>
<td>15,800</td>
<td>1,216,000&lt;sup&gt;47&lt;/sup&gt;</td>
</tr>
<tr>
<td>Manchester Arena</td>
<td>Manchester</td>
<td>15,683</td>
<td>1,501,500&lt;sup&gt;48&lt;/sup&gt;</td>
</tr>
<tr>
<td>First Direct Arena</td>
<td>Leeds</td>
<td>13,000</td>
<td>1,080,000&lt;sup&gt;49&lt;/sup&gt;</td>
</tr>
<tr>
<td>ECHO Arena</td>
<td>Liverpool</td>
<td>11,000</td>
<td>660,000&lt;sup&gt;50&lt;/sup&gt;</td>
</tr>
<tr>
<td>Motorpoint Arena Cardiff</td>
<td>Cardiff</td>
<td>5,000</td>
<td>450,000&lt;sup&gt;51&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Source: See footnotes below

---

46 [https://www.revolvy.com/main/index.php%3Fsection%3Dshow%26id%3D6640294](https://www.revolvy.com/main/index.php%3Fsection%3Dshow%26id%3D6640294)
47 These attendance figures have been provided to us by YTL based upon consultation with the arena operator.
48 These attendance figures have been provided to us by YTL based upon consultation with the arena operator.
49 These attendance figures have been provided to us by YTL based upon consultation with the arena operator.
We have not verified the robustness of YTL’s attendee numbers. However, we note that based on the data provided the attendee numbers estimated by YTL suggest that the Filton Arena would be the third largest arena in the UK, in terms of both capacity and number of attendees when fully operational after year 5.

5.3.1 Economic impacts associated with the operation of the proposed Filton Arena

Gross employment impacts

YTL has indicated that it expects that the Arena will directly employ 60 to 80 FTEs. KPMG was told by YTL that this estimate was developed “based on evidence from other arenas as well as through experience with the operation of other arenas”. It should be noted, however, that KPMG has not been presented with this evidence from YTL and has not assessed the validity of these assumptions. We note, however, that this is a higher level of direct employment than planned for the proposed Temple Island Arena (37 FTEs), although this may be linked to the differences in arena capacity and the programme of events.

In addition to these 60 and 80 direct employees, YTL has indicated that part-time casual labour will be hired on event days to undertake roles such as stewarding and food and beverage serving. YTL estimates that 400 to 450 workers would be hired on event days and would generally be employed for 6-8 hour shifts (i.e. a full working day).

We have converted this casual employment into annual FTE terms based on the YTL forecast number of events at the Filton Arena per annum. We estimate that the additional employment associated with the operation of the Arena will range between 82 and 173 annual FTEs.

Therefore, overall, the direct employment associated with the operation of the Filton Arena could range between 142 and 253 in gross FTE terms.

We have estimated the indirect and induced employment that would be generated through the operation of the Filton Arena by applying the relevant employment multipliers to the direct YTL employment. Using this approach, we estimate that the indirect employment could range between 46 and 80 gross FTE jobs and the induced employment impact could range between 12 and 17 gross FTE jobs.

Figure 15 below presents the estimated total gross direct, indirect and induced employment associated with the operation of the Arena over time.

**Figure 15: Employment in gross FTE terms associated with the operation of the Arena over time**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5 and onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Induced employment</td>
<td>12 – 15</td>
<td>13 – 16</td>
<td>13 – 16</td>
<td>14 – 17</td>
<td>14 – 17</td>
</tr>
<tr>
<td>Total employment</td>
<td>201 – 244</td>
<td>222 – 268</td>
<td>252 – 301</td>
<td>266 – 318</td>
<td>295 – 350</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

Gross GVA impacts

At present, there is no forecast financial information for the operation of the Filton Arena. Therefore, we have only been able to conduct a high level appraisal of the potential GVA impacts based on the level of direct employment that YTL has indicated that the Filton Arena would support.
Using the direct employment estimates we have applied the ONS average GVA per FTE for the relevant sectors\(^{52}\) to estimate the direct GVA associated with the operation of the Arena. We estimate that between £6.7m and £11.0m of gross direct GVA could be generated per annum through the operation of the Filton Arena.

Further GVA will be generated indirectly through supply chain expenditure related to the operation of the Arena. We have estimated indirect GVA by applying the relevant UK Type I multipliers\(^{53}\) to the estimated direct GVA associated with YTL’s estimated direct employment.

Based on the level of indirect employment, we estimate that between £3.6m and £5.5m per annum could be generated in indirect GVA through the operation of the Arena.

In addition, induced GVA will be generated through the direct and indirect employees’ wage spending in the economy. We have estimated induced GVA by applying the relevant Type II multipliers\(^{54}\) to the estimated direct GVA associated with YTL’s direct employment. We estimate that £2.2m to £3.0m in gross induced GVA per annum could be generated as a result of the operation of the Arena.

### Figure 16: Gross GVA per annum associated with the development of the Filton Arena

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct GVA</th>
<th>Indirect GVA</th>
<th>Induced GVA</th>
<th>Total GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>£6.7m - £8.4m</td>
<td>£3.6m - £4.4m</td>
<td>£2.2m - £2.3m</td>
<td>£12.6m - £15.1m</td>
</tr>
<tr>
<td>Year 2</td>
<td>£7.3m - £9.0m</td>
<td>£3.9m - £4.7m</td>
<td>£2.4m - £2.5m</td>
<td>£13.5m - £16.1m</td>
</tr>
<tr>
<td>Year 3</td>
<td>£8.0m - £9.8m</td>
<td>£4.3m - £5.0m</td>
<td>£2.6m - £2.7m</td>
<td>£14.8m - £17.5m</td>
</tr>
<tr>
<td>Year 4</td>
<td>£8.4m - £10.2m</td>
<td>£4.4m - £5.2m</td>
<td>£2.7m - £2.8m</td>
<td>£15.5m - £18.1m</td>
</tr>
<tr>
<td>Year 5 and onwards</td>
<td>£9.1m - £11.0m</td>
<td>£4.8m - £5.5m</td>
<td>£2.9m - £3.0m</td>
<td>£16.7m - £19.5m</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

### Net employment and GVA 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.

We have assessed the additionality of the economic impacts associated with the operation of the Filton Arena to estimate the level of ongoing net employment and GVA. Figure 17 below sets out our assessment of the additionality factors to apply in our analysis.

### Figure 17: Assessment of the additionality of the operation of the Filton Arena

<table>
<thead>
<tr>
<th>Additionality factor</th>
<th>Estimated level</th>
<th>KPMG assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deadweight</td>
<td></td>
<td>To assess the potential deadweight associated with the development of the Filton Arena, we have considered the alternative use for the hangar if it were not converted into an arena.</td>
</tr>
</tbody>
</table>

As detailed in Figure 10, YTL has indicated that if the Arena is not brought forward within the Brabazon Hangar, the Hangar will be continue to be used as it is presently. While the East and West Bay hangars are in use, we note that the Central Bay hangar is currently not in use.

YTL has indicated that it is not developing any alternative plans for the Central Bay hangar while the opportunity to develop an arena remains. However, with its wider developments in the Filton area we consider it unlikely that the site would remain undeveloped.

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\(^{52}\) Based on type of role undertaken by the employees, as provided by YTL.

\(^{53}\) Multipliers have been based on the relevant SIC code for each job type, e.g. for those staff employed for food and beverage serving we have used SIC code 56: Food and beverage service activities. For the 60-80 full-time staff YTL intends to hire, we have applied multipliers relevant for SIC code 90: Creative, arts and entertainment activities.

\(^{54}\) See footnote above. Multipliers have been selected based on the relevant industry for an employees’ job function.
Indefinitely and an alternative development may be brought forward at some point over the 25 year appraisal period.

However, as there are no alternative plans at present, we have been unable to assess the level of deadweight associated with the Filton Arena project. We consider that the operation of the proposed Filton Arena is likely to have limited deadweight in the near future given the lack of plans but there would likely be some degree of deadweight over the medium to long term.

### Displacement

<table>
<thead>
<tr>
<th>Impact</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% for direct impacts</td>
<td></td>
</tr>
<tr>
<td>20% for indirect and induced</td>
<td></td>
</tr>
</tbody>
</table>

The EHS study, previously undertaken in relation to the proposed Arena on the Temple Island site, suggests that other venues in Bristol did not anticipate significant competition from an arena in terms of booking acts and displacing attendees. The study suggests that an arena in Bristol would compete with other large arena venues across the UK and the catchment area for audiences would extend across the South West and West of England. We consider that this would likely also apply for an arena located at Filton. Therefore, in our analysis we assume that there would be a very low level of displacement associated with the direct operation of the Filton Arena. We have assumed a 5% level of displacement for direct impacts.

For the indirect and induced impacts we have assumed a low to medium level of displacement, set at 20%. This is based on our views of the potential geographic distribution of attendees, as well as evidence gathered from similar developments and events. This is also in line with our assessment of the Arena on Temple Island.

### Leakage

<table>
<thead>
<tr>
<th>Impact</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.5% for indirect impacts</td>
<td></td>
</tr>
<tr>
<td>at a West of England level</td>
<td></td>
</tr>
<tr>
<td>25% for indirect impacts</td>
<td></td>
</tr>
<tr>
<td>at a Bristol level</td>
<td></td>
</tr>
</tbody>
</table>

Brabazon Hangar is located within Bristol, therefore, all the direct economic activity that takes place there through the ongoing operations of the development will be generated in Bristol.

However, it can be expected that there will be leakage of the indirect and induced economic impacts into the wider UK economy as the supply chain for the facilities and the spending of direct and indirect employees is likely to extend beyond Bristol and the West of England. The Brabazon Hangar is located on the edge of Bristol and South Gloucestershire and therefore, a higher level of leakage outside of Bristol into South Gloucestershire could be expected from the Filton Arena. This is evidenced in travel to work patterns, which suggest that for the City of Bristol, the highest inflow of employees are from South Gloucestershire. Between the City of Bristol and South Gloucestershire there is a positive net flow of people into the City of Bristol, showing that the number of people commuting for work into the City of Bristol from South Gloucestershire is higher than the outflow from Bristol to South Gloucestershire.

In terms of the supply chain impacts, YTL has stated to KPMG that it intends to put in place a local food and beverage sourcing policy once the Arena is operational. However, the details of this sourcing policy have not been confirmed yet and there are no firm commitments in place to guarantee this. It is also unlikely that the procurement of other supplies, as well as the procurement through the wider supply chain, would be based on adopting a similar local sourcing policy.

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55 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.

56 Nomis (2011) Location of usual residence and place of work by method of travel to work, based on ONS 2011 Census data.
We have used information from the HCA Additionality Guide\(^{57}\) to estimate the overall level of leakage. At the regional level, we consider that a low to medium level of leakage would be appropriate to apply. This equates to leakage levels of 10% to 25%. For the purposes of analysis, we apply the midpoint of 17.5% at a West of England level. At a Bristol level, we would expect a higher level of leakage and have therefore assumed a medium level of leakage. We have therefore, applied a leakage level of 25% at a Bristol level. The level of leakages outside of the UK economy is factored into our gross economic impact assessment as the economic multipliers used take account of imports to the UK.

Source: KPMG analysis

Applying the additionality factors set out in Figure 17 above, we have estimated that the net GVA and employment impacts associated with the proposed operation of the Filton Arena. Our estimates of net impacts are based on current information, and assumptions of additionality levels produced by the HCA. 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 operation of the Filton Arena. Therefore, we may have over- or under-estimated the potential economic impacts associated with the operation of the Filton Arena.

Figure 18 below sets out the results of our analysis of the estimated net economic impacts in NPV terms on both a per annum basis and over the 25 year appraisal period.

**Figure 18: Net GVA (in NPV terms) and employment (in FTE terms) per annum and over 25 years associated with the Filton Arena**

<table>
<thead>
<tr>
<th></th>
<th>Net employment per annum (in FTEs)</th>
<th>Net GVA per annum (in NPV terms)</th>
<th>Net GVA over 25 years (in NPV terms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West of England</td>
<td>172 - 301</td>
<td>£5.1m - £10.7m</td>
<td>£192.1m - £202.9m</td>
</tr>
<tr>
<td>Bristol</td>
<td>167 - 294</td>
<td>£4.9m - £10.2m</td>
<td>£183.9m - £193.7m</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

5.3.2 **Economic impacts from attendee spending in the wider economy**

The Filton Arena would also generate economic impact by attracting event attendees to Bristol. Linked to their visit to the Arena, these attendees will potentially spend in the local economy, for example purchasing goods and services, such as food and beverages, public transport and accommodation.

We have estimated the level of this potential attendee spending, and consequential GVA and employment impacts, using the following information:

— YTL’s estimates of the number of attendees at the Filton Arena (see Figure 13);
— an estimate of the proportion of attendees that will be day visitors and overnight visitors. This is based on data on tourism trips to Bristol provided by Destination Bristol and VisitBritain\(^{58,59}\);
— estimates of average attendee spending, by type of spending (e.g. food and drink, retail, transport, accommodation) for day and overnight visitors for Bristol and South Gloucestershire. This is based on information provided to us by Destination Bristol;
— conversion of estimated attendee spending to direct GVA, based on the relevant sector level output to GVA ratio for different categories of attendee spending, sourced from the ONS;


\(^{58}\) 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.

— estimates of indirect and induced GVA estimated by applying the relevant ONS sector level economic multipliers to the direct GVA associated with each category of attendee spending; and
— estimates of employment impacts based on the estimated GVA impacts and the average GVA per FTE for each relevant sector.

Figure 19 below sets out our estimates of gross economic impacts per annum that could be generated through the spending of Filton Arena attendees.

It should be noted, however, that the estimated economic impacts are based on YTL’s forecasts for attendee numbers. As we noted in Section 5.3, YTL’s forecast arenas attendee number would make the Filton Arena the third largest arena in the UK. In addition, it should be noted that the attendee numbers for the Filton Arena are more than double those forecast for the Arena on Temple Island. If the forecast level of attendees is not achieved by the Filton Arena, the economic impacts from wider attendee spending, both in terms of GVA and employment, would be lower.

**Figure 19: Gross GVA and employment (in FTEs) per annum associated with Filton Arena attendee spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>GVA</th>
<th>Employment (FTEs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>Year 1</td>
<td>£15.5m -</td>
<td>£9.8m -</td>
</tr>
<tr>
<td>Year 2</td>
<td>£20.1m -</td>
<td>£12.7m -</td>
</tr>
<tr>
<td>Year 3</td>
<td>£24.6m -</td>
<td>£15.5m -</td>
</tr>
<tr>
<td>Year 4</td>
<td>£29.1m -</td>
<td>£18.4m -</td>
</tr>
<tr>
<td>Year 5 and onwards</td>
<td>£33.7m -</td>
<td>£24.1m -</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

As with the analysis of the proposed Temple Island Arena, we note that this additional spending of attendees, and resultant economic activity, may be generated with established businesses in Bristol (or in a wider local area) or with new businesses established to cater for the increased demand. Given the lack of information available at this stage, it is not possible to distinguish between this. However, as part of our assessment of the additionality of the economic impacts from attendee spending, we have considered the potential leakage and displacement of economic activity in Bristol and the wider West of England region.

Figure 20 below sets out our assessment of the estimated additionality of the economic impacts arising from attendee spending.

**Figure 20: Assessment of the additionality of Arena attendee impacts**

<table>
<thead>
<tr>
<th>Additionality factor</th>
<th>Estimated level</th>
<th>KPMG assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deadweight</td>
<td>-</td>
<td>The deadweight associated with the operation of the Arena and attendee spending will depend on any alternative use for the site. As explained above, with YTL’s wider developments in the Filton area we consider it unlikely that the site would remain undeveloped indefinitely and an alternative development may be brought forward at some point over the 25 year appraisal period, despite no plans presently being in place. If an alternative use is also some form of visitor attraction that would bring additional attendees to the local area, it is likely that there could also be some degree of deadweight associated with the impacts of Arena attendee spending.</td>
</tr>
</tbody>
</table>
However, it is not clear if any alternative development would be associated with bringing additional attendees to the area (the current use of the Brabazon Hangar does not involve this). Therefore, it is not possible to determine the degree of deadweight associated with the attendee spending at this stage. We consider it would be limited, at least in the short to medium term, given the lack of plans for the hangars.

### Displacement

<table>
<thead>
<tr>
<th>Displacement</th>
<th>20%</th>
</tr>
</thead>
</table>

The displacement associated with attendee spending is the level of spending that Arena attendees would have incurred irrespective of whether they attended an event at the Arena or not.

As explained above, the EPS study suggests that other venues in Bristol did not anticipate significant competition from an arena in Bristol in terms of pulling away audiences. It is expected that audiences would be drawn from a wider catchment area around Bristol and that an arena in Bristol would generally compete with other large UK arenas, particularly those closest to Bristol i.e. Cardiff, London and Birmingham. Stakeholders that KPMG engaged with as part of our VfM review of the proposed Temple Island Arena also indicated that it could be expected that an arena in Bristol would draw audiences from the South West of England, for example Devon and Cornwall, unlocking a market that currently does not have close or easy access to a large arena.

There will be some level of displacement associated with attendee spending. Attendees will have limited disposable income to spend, meaning that any expenditure associated with attending an event at the Filton Arena will displace expenditure for alternative reasons. This may be spending on similar activities, such as food and beverages, and/or leisure activities.

Taking into consideration these factors, we consider that it would be reasonable to assume a 20% level of displacement of Arena attendee spending at both the West of England and Bristol level.

### Leakage

<table>
<thead>
<tr>
<th>Leakage</th>
<th>17.5% at West of England level</th>
<th>25% at Bristol level</th>
</tr>
</thead>
</table>

The level of leakage is associated with where the spending of Arena attendees takes place, as well as the location of the wider supply chains that service that spending (e.g. the source of the food and beverage products as well as their input ingredients).

We consider that when attending an event at the Filton Arena, attendee spending is likely to be focused in the West of England, primarily within Bristol and South Gloucestershire. However, the supply chains to service this spending are likely to span more widely across the region and UK. Given this, overall, we consider that it would be reasonable to assume a low to medium level of leakage out of the West of England. Therefore, in our analysis we have assumed a 17.5% level of leakage at the West of England regional level, based on the midpoint of the low and medium levels of regional leakage identified in the English Partnerships Additionality Guide.  

We have also considered leakage at the Bristol level.

We consider that Arena attendee spending (and the direct economic activity associated with this) may be concentrated more closely around the Filton site than may be the case if the Arena were located in the City Centre. Based on the proposed infrastructure development plans, the Filton Arena would be connected to both

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60 Stakeholders include SMG and Live Nation (the operators of the Temple Island Arena), BCC and Destination Bristol.  
Bristol Parkway and Bristol Temple Meads station. Additionally, 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.

Also, we understand from YTL that it plans to include over 5,000m² of food and beverage retail space in the Filton Arena, providing multiple service outlets. Given the range of options available to attendees, day visitors to the Arena in particular may concentrate their spending in the Arena itself and in the local area prior to, and after, the event, rather than travelling to Bristol City Centre. We note that the Filton Arena will be located on the border of Bristol and South Gloucestershire and that the majority of the retail and leisure development on the wider Filton site will be located in South Gloucestershire.

The connectivity of the Filton site to the wider area, as well as the strong retail and food and beverage offerings on, or in close proximity of, the Filton Arena will likely mean that a proportion of the attendees may not travel through Bristol City Centre when attending an event at the Filton Arena. Thus, we would expect a higher level of leakage out of Bristol into South Gloucestershire associated with the Filton Arena, when compared to the proposed Temple Island Arena.

Some of this leakage of impact may be mitigated to an extent as YTL intends to partner with Destination Bristol and Bristol wide hotels, restaurants and tourist partners to offer event packages to attendees. These plans are still in the early stages of development so there is no detailed information available on the exact packages that could be offered or expected levels of take-up. However, these packages could encourage attendee spending in Bristol.

Given the factors detailed above, and to reflect our view that there would be a higher level of leakage at the local level than the regional level, for the purposes of our analysis we have assumed a medium level of leakage of 25% at a Bristol level, based on guidance produced by the HCA.

Source: KPMG analysis

Applying the additionality factors set out in Figure 19 above, we have estimated the net GVA and employment impacts associated with the attendee spending in the wider economy linked to the Filton Arena. It should be noted that our estimates of net impacts associated with attendee spending 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 attendee spending. Therefore, we may have over- or under-estimated the potential economic impacts associated with attendee spending.

Figure 21 below sets out the results of our analysis in NPV terms on a per annum basis and over the 25 year appraisal period.

---

Based on Destination Bristol and Visit England data on the average spending for a domestic day visitor to Bristol.

Figure 21: GVA and employment impacts associated with Arena attendee spending

<table>
<thead>
<tr>
<th>Year</th>
<th>Total visitors</th>
<th>Estimated visitor spending</th>
<th>Net GVA (in NPV terms):</th>
<th>Net employment (FTES):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>In the West of England</td>
<td>In Bristol</td>
</tr>
<tr>
<td>Year 1</td>
<td>600,000</td>
<td>£31.3m - £35.6m</td>
<td>£16.2m - £18.4m</td>
<td>450 - 513</td>
</tr>
<tr>
<td>Year 2</td>
<td>775,000</td>
<td>£40.5m - £46.0m</td>
<td>£20.2m - £22.9m</td>
<td>581 - 662</td>
</tr>
<tr>
<td>Year 3</td>
<td>950,000</td>
<td>£49.6m - £56.3m</td>
<td>£23.9m - £27.1m</td>
<td>712 - 812</td>
</tr>
<tr>
<td>Year 4</td>
<td>1,125,000</td>
<td>£58.8m - £66.7m</td>
<td>£27.3m - £31.1m</td>
<td>844 - 961</td>
</tr>
<tr>
<td>Year 5 onwards</td>
<td>1,300,000</td>
<td>£67.9m - £77.1m</td>
<td>£34.7m - £38.5m</td>
<td>975 - 1,111</td>
</tr>
<tr>
<td>25 years</td>
<td>30,750,000</td>
<td>£1,605.9m - £1,823.7m</td>
<td>£551.9m - £627.0m</td>
<td>975 - 1,111</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

Over a 25 year period, we estimate that net GVA in NPV terms could equal up to £627.0m in the West of England. Of this, we estimate that up to £551.8m could be generated within Bristol over a 25 period.

5.3.3 Wider catalysed impacts

We consulted with BCC and YTL to understand what, if any, wider impacts might be catalysed through the development of the Filton Arena, beyond those already taken in to account through attendee spending.

YTL has considered that the main catalytic impacts of the Filton Arena would be in terms of driving the development rate, and raising the profile of, its existing development plans for the wider Filton area as well as bringing forward the development of the East and West Bays of the Brabazon Hangar.

YTL is planning to create a new city district in Filton, which will involve the development of a large site including provision of:

- 2,675 new homes;
- 26 hectares of employment space;
- a retail centre;
- public services, such as three new schools; and
- community facilities and recreational spaces.

YTL has stated to KPMG that the Filton Arena development could have a catalytic impact on the wider site – bringing the development forward more quickly by raising the profile of the Filton site across the West of England region, as well as nationally. It considers that the Filton Arena project would effectively “kick-start” the wider development and could drive a higher development rate, particularly for the residential developments.

However, YTL has not undertaken any modelling to understand the scale and scope of these catalytic impacts and the likely differences in the development rates if the Filton Arena were to proceed compared to if it were not to. Therefore, there is a lack of evidence available for KPMG to quantify the potential catalytic impacts. However, we consider it reasonable to assume that there would potentially be a positive impact on the wider site from the development of the Arena at Filton, given the profile that the Arena would likely have, the additional visitors it would attract to the area and the role it would play in the regeneration of the site. An assessment of what, if any, impact any higher rate of residential development...
development on the Filton site could have on the wider residential market in Bristol and the West of England should be considered, but is not possible to assess at this stage.

In addition to the development of the wider site, YTL has indicated that the development of the Filton Arena in the Central Bay of the Brabazon Hangar would likely catalyse the development of the East and West Bays of the Brabazon Hangar. Although firm plans have not been developed at this stage, YTL has indicated to KPMG that the East Bay could be developed for exhibition space, whilst the West Bay could become a family leisure development.

The timing of any development of the East and West Bay hangars is also unclear. Although at the outset of our study YTL suggested to KPMG that they may potentially be developed to the same timescales as the Filton Arena, it is now YTL’s view that the development would not take place until at least 5 years post-completion of the Filton Arena.

Given a lack of certainty around the timing of redevelopment and the potential use, we have not estimated the economic impacts that would be associated with the East and West Bay hangars. However, we note that if the Filton Arena were to catalyse their development, it would add to the overall economic case for the Arena.

5.3.4 Business rates

Additional to the economic benefits that could be associated through the construction and operation of the Filton Arena, the Arena would also generate business rate income. It is currently expected that half of the business rates income would be received by BCC and the remaining half would be placed into the West of England EDF pool.

At present, BCC estimate that through the operation of the Filton Arena and associated food and beverage services, £0.6m per annum would be raised in business rates, payable to BCC. It should be noted that these are initial estimates based on a high level assessment of the current Filton Arena proposition. BCC has indicated to KPMG that further work and specialist advice will need to be sought to more robustly estimate the potential business rate income that could be achieved through the Filton Arena.

Over a 25 year appraisal period, £8.8m in real terms would be raised in business rates as a result of the Filton Arena and the associated food and beverage services. However, as mentioned above, this is based on initial figures based on BCC and will require further work to finalise.
6 Value for money assessment

6.1 Summary of the economic impacts

In Section 2 above we have assessed, adopting a high level appraisal approach, the potential economic impacts associated with the proposed development of the Filton Arena brought forward by YTL. The results of our analysis are summarised in Figure 22 below.

Based on our analysis, we have estimated that the Filton Arena could generate between £810.6m to £896.5m in net GVA (in NPV terms) and 1,312 to 1,495 FTE jobs in the West of England over 25 years.

Figure 22: Net GVA (in NPV terms) and employment (in FTEs) associated with the proposed development of the Filton Arena over 25 years

<table>
<thead>
<tr>
<th></th>
<th>Net GVA</th>
<th>25 years Net employment</th>
<th>Business rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£86.6m</td>
<td>63</td>
<td>£8.8m</td>
</tr>
<tr>
<td>West of England</td>
<td>£192.1m - £202.9m</td>
<td>254 - 301</td>
<td></td>
</tr>
<tr>
<td>Arena operation</td>
<td>£551.9m - £627.0m</td>
<td>975 - 1,111</td>
<td></td>
</tr>
<tr>
<td>Attendee spending</td>
<td>£310.6m - £896.5m</td>
<td>1,312 - 1,495</td>
<td>£8.8m</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bristol</td>
<td>£59.7m</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>£183.9m - £193.7m</td>
<td>248 - 294</td>
<td>£8.8m</td>
</tr>
<tr>
<td>Arena operation</td>
<td>£485.7m - £551.8m</td>
<td>858 - 977</td>
<td></td>
</tr>
<tr>
<td>Attendee spending</td>
<td>£729.3m - £805.2m</td>
<td>1,180 - 1,345</td>
<td>£8.8m</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

6.2 Value for money assessment

Using the estimates of the potential economic impacts that could be generated through the proposed developments, we have estimated the NPV associated with each. We have also estimated the BCR associated with the proposed Filton Arena. 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 value for money. Therefore, in our 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.

6.2.1 Value for money assessment of the proposed Filton Arena development

We have assumed the only public sector cost associated with the Filton Arena development would be the £53m associated with the supporting transport infrastructure. This public sector cost forms the cost basis of our BCR assessment.

It should be noted that the BCR does not reflect the full economic benefits that could arise from the infrastructure package the LEP funding would potentially be used to finance. The economics benefits
of this package (which span beyond those linked to the Arena) are not quantified within our study. The BCR is therefore, not a comparative assessment of the benefits and costs.

The results of our analysis are set out in Figure 23 below.

Figure 23: Value for money assessment of the proposed Filton Arena development at a West of England level

<table>
<thead>
<tr>
<th></th>
<th>25 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net GVA (in NPV terms)</td>
<td>£744.0m - £829.9m</td>
</tr>
<tr>
<td>Public sector costs</td>
<td>£53.0m</td>
</tr>
<tr>
<td>BCR</td>
<td>14.0:1 – 15.7:1</td>
</tr>
<tr>
<td>Economic NPV</td>
<td>£691.0m - £776.9m</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

We estimate that the Filton Arena development, excluding the construction related economic impacts, could deliver:

— An economic NPV of up to £776.9m over a 25 year time frame.
— A BCR of up to 15.7:1 over a 25 year time frame.

As detailed in Section 5.3, the assessment of the potential economic impacts generated through the Filton Arena is predicated on the deliverability of the scheme and the achievement of YTL’s projections in terms of employment and attendees.

Our assessment captures the economic impacts associated with the ongoing operation of the Filton Arena, as well as economic impacts generated through Arena attendee spending in the local economy. Given that the development of the Filton Arena is still in the relatively early stages of planning, we have been unable to assess all possible impacts associated with the development. The following impacts have not been included in our economic impact assessment:

— any wider social impacts that the Filton Arena may deliver;
— any catalytic impacts that may arise from the Filton Arena (assessed qualitatively in Section 5.3.3), including the increased rate of development on the Filton site and the catalysed development of the East and West Bays of the Brabazon Hangar; and
— the economic benefit associated with the three transport infrastructure projects identified by YTL as key to the delivery of the Filton Arena.

These impacts would be additional to the economic impacts estimated within our study. As the plans for the Filton Arena progress and further data and evidence is available, it will be important to assess the full scope of the potential economic and social impacts associated with the Filton Arena.

Also, in terms of the financial and commercial aspects of the proposition (detailed in Section 4) in summary, it should be noted that:

1. Given the early stages of development for both the Filton Arena and alternative use of the Temple Island site, there is a limited available evidence base for analysis, such as detailed financial analysis, cost plans and report. As a result, we have been unable to carry out a detailed financial and commercial assessment of the propositions.
2. The Filton Arena will be primarily funded by private capital and BCC is supporting the development and delivery of the public transport infrastructure within the area.
3. Under the Filton Arena proposition, the LEP funding will be reallocated, subject to approval and a revised business case, and invested in supporting the delivery and development of transport infrastructure rather than an arena. This figure will be capped at £53m. At present, there is no evidence that additional spending commitment by BCC will be required to deliver the Arena on the Filton site.

4. The propositions are still in the early stages of development, meaning that there is a lack of clarity over the details of the propositions, in particular in reference to the delivery of the propositions. As a result, there is a high delivery risk associated with the project. This is somewhat mitigated by YTL’s long term interest in the Filton site.

5. BCC will want to negotiate firm commitments from YTL in advance of granting the exclusivity period so as to avoid any further concessions as project plans are developed by YTL.

6.3 Comparative assessment of the Filton Arena development and the Temple Island Arena

When making public spending decision it is helpful to consider the relative value for money that could be achieved through alternative schemes. Therefore, we have assessed the value for money of the Filton Arena development within the wider context of the proposition by comparing the BCR and economic NPV to those estimated for the proposed Temple Island Arena. The same caveats and assumptions associated with the Filton Arena assessment (detailed above) and for the Temple Island Arena (as detailed in our Temple Island Arena: Value for Money Assessment report) apply to this comparison.

Figure 24 below sets out the key value for money indicators associated with all three propositions over a 25 year period.

**Figure 24: Comparison of the value for money of the Temple Island Arena and Filton Arena over 25 years**

<table>
<thead>
<tr>
<th></th>
<th>Temple Island Arena</th>
<th>Filton Arena</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net GVA (in NPV terms)</td>
<td>£489.1m</td>
<td>£744.0m - £829.9m</td>
</tr>
<tr>
<td>Capital costs</td>
<td>£148.0m</td>
<td>£53.0m</td>
</tr>
<tr>
<td>BCR</td>
<td>3.2:1</td>
<td>14.0:1 – 15.7:1</td>
</tr>
<tr>
<td>Economic NPV</td>
<td>£282.6m</td>
<td>£691.1m - £776.9m</td>
</tr>
</tbody>
</table>

Source: KPMG analysis

The analysis suggests that the NPV of the Temple Island Arena project is comparatively lower than the Filton Arena project. This suggests that, based on the evidence currently available to inform the assessment, in cost and economic terms, the Filton Arena presents better value for money relative to the Temple Island Arena project.

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.