

Cabinet

Supplementary Information



Date: Tuesday, 3 July 2018

Time: 4.00 pm

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

Distribution:

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

Issued by: Sam Wilcock, Democratic Services

City Hall, Bristol, BS1 5TR

Tel: 0117 92 23846

E-mail: democratic.services@bristol.gov.uk

Date: Monday, 25 June 2018



Supplementary Agenda

6. Reports from scrutiny commission

(Pages 3 - 60)



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

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

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

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

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

It is the considered view of OSM members that;

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

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

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

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

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

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

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

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

Background

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

The above documents can be viewed at this link:

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

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

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

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

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

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

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

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

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

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

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

At this second session, the Board focused on:

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

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

At this third session, the Board focused on:

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

Summary of Additional Comments Raised Over All Three Sessions;

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

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

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

Appendix B – Questions and Answers

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

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

Who is Arena Island Limited?

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

Inconsistencies with the KPMG Report:

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

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

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

Something not considered within the KPMG Report:

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

Issues with the Filton site:

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

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

The impact on the wider Bristol Economy:

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

Environmental Impact:

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

Experience in successfully operating arenas:

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

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

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

Can Bristol afford further delays for an arena?

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

Thank you for taking the time to consider our comments.



Bristol Arena – Value for Money Reports

Buckingham Group Contracting Ltd:

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

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

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

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

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

We wish to make the following points:

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

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

In summary:

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

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

Council Chamber, City Hall, Bristol

Friday 22 June

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

Who are YTL?

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

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

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

Filton Airfield and the Brabazon Hangars

Acquired Filton Airfield in December 2015.

The Brabazon Hangars were purchased in May 2016

Outline planning permission for the airfield granted in 2017 for

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

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

Why an arena at Filton?

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

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

It provides space for:

- sports
- music
- entertainment
- exhibitions

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

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

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

YTL Arena key features

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

Financial overview

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

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

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

Partnerships

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

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

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

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

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

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

Managing events

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

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

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

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

Transport infrastructure

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

There are three schemes that we believe are important:

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

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

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

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

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

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

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

Sustainability

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

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

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

Expert advisors

Andrew Billingham - project lead consultant:

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

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

Our architects Grimshaws have global experience of major projects.

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

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

Next steps

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

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

YTL's commitment

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

EXTRAORDINARY OSM BOARD – 4.15 pm 18 JUNE 2018

PUBLIC FORUM - QUESTIONS

OSM Question(s) A – from Paul Wheeler

OSM Question(s) B – from Mike Farrington

OSM Question(s) C – from Neil Sellers

OSM Question(s) D – from Rachel Jones

OSM Question(s) E – from Rob Stroud

OSM Question(s) F – from Thangam Debbonaire MP

OSM Question(s) G – from Cllr Olly Mead

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

OSM Question(s) I – from Cllr Anthony Negus

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

Note;

Bristol City Council's responses are in red text

KPMG's responses are in blue text

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

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

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

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

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

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

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

KPMG:

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

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

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

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

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

Why should any credence be given to the KPMG report?

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

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

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

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q1 - Affordable Housing

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

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

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

KPMG:

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

Q2 - Arena Funding

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

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

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

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

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

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

Q3 – YTL Information

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

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

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

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

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

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

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

- **Can this be done?**

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

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

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

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

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

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

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

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

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

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

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

KPMG:

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

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

Q4 - Alternative Development for the Temple Island site

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

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

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

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

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

KPMG:

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

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

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

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

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

Q5 – Filton Infrastructure

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

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

Yes this will be published.

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

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

It’s a coincidence.

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

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

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

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

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

Q6 - Filton Arena Leakage

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

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

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

Please note the response to Q2 above

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

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

KPMG:

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

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

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

KPMG:

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

None.

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

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

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

KPMG:

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

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

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

KPMG:

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

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

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

This will form part of any development agreement.

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

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

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

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

KPMG: Yes, that is the position assessed.

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

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

This figure is made up of the following:

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

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

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

KPMG:

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

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

KPMG:

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

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

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

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

Proposals will be developed over the exclusivity period.

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

This risk is recognised in the KPMG report.

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

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

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

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

KPMG:

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

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

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

Environmental impacts are not assessed in the KPMG reports.

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

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

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

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

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

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

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

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

KPMG:

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

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

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

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

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

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

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

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

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

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

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

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

Q1. Arena Island cost escalation.

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

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

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

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

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

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

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

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

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

Q2. Public funds

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

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

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

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

Priority Questions:

Q1. – Cllr Eleanor Combley

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

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

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

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

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

Q2. – Cllr Clive Stevens

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

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

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

Q3. – Cllr Carla Denyer

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

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

Q4. – Cllr Jude English

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

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

KPMG:

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

Q5. – Cllr Jerome Thomas

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

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

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

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

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

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

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

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

Q6. – Cllr Eleanor Combley

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

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

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

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

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

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

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

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

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

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

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

KPMG:

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

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

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

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

KPMG:

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

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

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

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

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

KPMG:

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

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

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

C. Arena at Filton

The following asked by Cllr Carla Denyer:

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

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

KPMG:

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

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

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

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

KPMG:

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

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

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

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

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

The following asked by Cllr Jude English:

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

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

It is not possible to quantify any such impact.

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

KPMG:

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

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

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

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

The following asked by Cllr Martin Fodor:

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

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

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

Arena Island alternative uses:

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

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

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

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

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

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

No commitment has been made

E. Questions of clarification – asked by Cllr Jerome Thomas

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXTRAORDINARY OSM BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 At what date will

A A contract that guarantees the Brabazon arena delivery

B Final agreement on transport infrastructure

C Completion of the whole scheme take place?

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

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

No

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

KPMG:

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

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

EXTRAORDINARY OSM BOARD

Additional questions from Cllr Eleanor Combley (Green group leader)

Received on 19 06 2018

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

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

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

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

How much of that already has developers lined up?

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

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

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

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

KPMG: The economic analysis takes account of displacement.