

# Decision Pathway – Report Template



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 09 March 2021

<b>TITLE</b>	<b>Bristol Beacon Phase 2</b>		
<b>Ward(s)</b>	<b>Central Ward directly (the whole city, region and nationally operationally)</b>		
<b>Author:</b> James Anderson	<b>Job title:</b> Head of Capital Projects		
<b>Cabinet lead:</b> Mayor	<b>Executive Director lead:</b> Stephen Peacock		
<b>Proposal origin:</b> BCC Staff			
<b>Decision maker:</b> Mayor <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b>			
<ol style="list-style-type: none"> <li>1. For Information – to update on action taken since last Cabinet paper</li> <li>2. For information - to confirm cost and delay implications associated with issues found within the building and Covid-19</li> <li>3. To approve funding to ensure the project is completed and delivers the expected long-term benefits to the city and give delegated authority to enter into and amend existing contracts required to deliver the project</li> </ol>			
<b>The building</b>			
<p>Bristol Beacon (formerly Colston Hall) has been Bristol’s most iconic live music and arts venue for 150 years, playing an important part of the city’s cultural life and the region’s creative economy. The Grade 2 listed building is a Bristol City Council owned freehold asset, operated since 2011 by Bristol Music Trust (BMT) under a peppercorn lease. It has a capacity of more than 2,000 and hosts a programme of pop, jazz, world and classical music as well as stand-up comedy. The building sits on a constrained site and has suffered from a lack of maintenance and modernisation with no major refurbishment for 60 years.</p>			
<b>Restoring a degraded asset</b>			
<p>It has long been understood that the building itself needed a complete refurbishment, with profound and visible degradation to its fabric, constraints that limit its commercial potential and significant increasing costs of ensuring the building remains safe for public use. From the late 1990s successive administrations considered these issues. Appendix A3 sets out a brief chronology.</p> <p>Following the completion of the Phase 1 development in 2009 (the Foyer) there was virtually no progress on the redevelopment of the main building until a report was taken to the first Cabinet of the current administration in June 2016. This authorised a £1.6m investment to enable the preparation and submission of a detailed planning application for Phase 2. Further Cabinet reports in 2017 and 2018 paved the way for a £48.8m redevelopment project. In 2017 KPMG was commissioned to undertake an Economic Impact Assessment on the proposed plans for the hall. The report concluded that a restored hall would directly contribute £324.6 million over a 20 year period (£16.2m annual GVA) and directly create/safeguard 294 jobs.</p>			
<b>Delivery challenges</b>			
<p>The Council is the owner of the freehold of the building and has the role of client with ultimate responsibility for underwriting the full costs of the Phase Two redevelopment. The specification, programme and estimated capital cost were all derived using the industry standard RIBA process with BCC project officers supported by an external team of professional advisors.</p> <p>Work began on Phase 2 in August 2018, following the procurement of contractors. The act of removing the fabric from the building to undertake extensive surveys created a commitment to rectify any issues that were found, as the fabric cannot simply be reinstated once items are uncovered. As a live performance venue it was not feasible to carry out extensive intrusive surveys before proceeding with the main project as this would have required the closure of the venue with no certainty over when and if the refurbishment project would go ahead.</p> <p>The standard construction contract used was an NEC A. This places responsibility for risk of design development and the</p>			

condition of the existing building on the Council. There were limited elements of Contractor Design included in the contract that relied upon provision of complete 'Works Information' by the Council. The Contract Sum achieved contained a large number of provisional sums and quantities for works where there was insufficient information to fix a price. The Council remained responsible for the risk that these provisional sums were not sufficient.

The volume and nature of the issues uncovered since work started on Phase 2 redevelopment have far outstripped the worst-case scenarios contemplated by the 2018 reports. Between June 2019 and April 2020 as contractors dismantled the building and demolition was carried out, the building gradually revealed large numbers of significant and unforeseen structural and heritage issues that created huge complexity and added significant time and cost to the project (Appendix A4). These issues were monitored and escalated as soon as it became clear that the impact could not be managed within existing project specific contingency. The impact of these issues was compounded by the advent of Covid-19.

A report was taken to Cabinet in July 2020 setting out some of the significant issues encountered in the delivery of the project. The report confirmed that a thorough review of the project would be undertaken with a subsequent report taken to Cabinet containing a comprehensive funding proposal for the completion of the building.

Due to the complexity of gaining cost and programme certainty the time period for the review was extended from Autumn 2020 to February 2021. This was necessary to ensure that sufficient information can be provided, and a well-informed decision could be made to achieve the best outcome for the city.

### **Renewed confidence**

The Council has enhanced the project resource to meet the challenges of the project with expertise in delivery of challenging large-scale historic construction projects. A full review has been carried out to re-baseline the project scope and develop a clear understanding of the new project cost and duration. This exhaustive process has resulted in a strong level of confidence in the revised project budget and duration required to complete the scheme. A summary of methodology used is in annex A2.

The initial budget was clearly inadequate once the structural and heritage items were discovered. We are now in a position to set an informed revised total capital investment budget of £106.9m. This is based on comprehensive information arising from the project review and includes appropriate project contingency to manage project risk (Appendix I1). The completion date for the construction contract is April 2023. The projected opening date for the new concert hall (allowing time for end user fit out and soft openings) is October 2023 (Appendix A1).

The revised programme and costs have been developed with Wilmott Dixon the main contractor. Following the conclusion of a deep review which finished in December 2020 with officers and cabinet members (information which was also shared with OSMB and G&R scrutiny members at an exempt session in February 2020), officers started the process of finalising the information required to complete the contract negotiations with Willmott Dixon. This process has proved very challenging. The Council is continuing to negotiate with WD but accept we retain liability for events and costs which have not been foreseen at the point of contracting.

Given the nature of the project and the history of discovery items (compounded by COVID), officers recommended in early February that further work was still needed to identify and quantify further risks in the project. This allowed where appropriate and possible, the transfer of risk. As a result, the decision was taken to defer this item from February cabinet. This reflects the challenging and dynamic nature of the commercial position with such a significant project and is a further indication that the Council is still seeking to secure the best possible outcome from the negotiations in the face of real budget and timing pressures. At point of publication officers have achieved in negotiation with the contractor an increased cost certainty on the £106.9m from 76% (£80.8m) to 92% (£97.9m). Officers have reviewed in detail the works associated with the remaining £9m and have allocated appropriate contingency to manage risk associated with it.

As of the date of publication of this Cabinet Report the negotiations with the contractor are ongoing but have now progressed to a point where officers can recommend cabinet approval for the revised sums contained in this report. This recommendation is underpinned by the fact that the Bristol Beacon is an iconic and key strand of the city's cultural offer. In recognising that costs are higher than was initially envisaged, there remains strong motivation for making the repairs and renewal of the venue.

Following cabinet approval work will continue to re-contract with the main contractor and other suppliers. Should the commercial position adopted by any suppliers mean that the risk around the outturn programme cost were to materially change, officers will advise via a further update to Cabinet and seek a different decision if needed.

### **Alternative options**

As part of the project review an options analysis was carried out to understand alternatives to completing the scheme:

- Stop contracts and cease works immediately

- Pause the project once the building becomes watertight.

This analysis identified significant cost implications in relation to terminating professional services and construction contracts early, making the buildings safe, fulfilling statutory heritage obligations and managing ongoing maintenance and safety liabilities and clawback of grants for both options. For this reason, the option to continue represents best value for the council and the city.

### Funding

The Council has worked with funding partners to identify potential additional funding routes to contribute to the £58.1m additional cost.

- A bid for capital was made by the Council and BMT to the Arts Council in August 2020. An award of **£6.201m** for Covid-19-related Kickstarter capital funding has been secured.
- Capital funding of **£6.335m** has been provided by WECA to support the delivery of the project (in two approvals: £3.405m in June 2020 and £2.93m in January 2020) - in light of the significant economic impact of the project.
- BMT has committed to lead a campaign to raise **£1.1m** for the restoration and reinstallation of the organ

If the Council decides to proceed with the recommendations under this report, the balance of the £58.1, or an additional **£44.464m** funding, would be required from the capital programme to meet the remaining funding gap in completing the project.

### Cabinet Member / Officer Recommendations:

That Cabinet:

1. Recognises the importance of the Bristol Beacon to the city's cultural offer and in doing so, approves the revised cost envelope of £106.9m and incorporating the following (total increase of £58.1m in addition to £48.8m previously approved):

- £3.405m WECA funding for project inflation (approved by WECA in June 2020)
- £2.930m WECA further funding support (approved by WECA in January 2021)
- £6.201m from Arts Council England Kickstarter grant
- £44.464 from Bristol City Council own capital programme and resources funded by Prudential Borrowing (proposed to be released from capital programme contingency)
- £1.1m further funds to be raised by BMT

2. Authorises the Executive Director for Growth & Regeneration in consultation with Cabinet Member Finance, Governance and Performance, Section 151 officer and the Monitoring officer to take all steps required to enter into any contracts required and negotiate and agree changes to existing contract terms to give effect to the above including;

- Enter contracts for professional services required to complete the project
- Amend the construction contract to transfer risk and secure greater cost and programme certainty
- Agree any new/additional terms of grant with any grant funding bodies

### Corporate Strategy alignment:

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

### City Benefits:

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

### Consultation Details:

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

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

**Background Documents:**

Cabinet Paper June 2016

<https://democracy.bristol.gov.uk/documents/g1915/Public%20reports%20pack%2007th-Jun-2016%2018.00%20Cabinet.pdf?T=10>

Cabinet Paper June 2017

<https://democracy.bristol.gov.uk/documents/b8314/Colston%20Hall%20Phase%202%20Cabinet%20Report%2019th-Jun-2017%2017.00%20Cabinet.pdf?T=9>

Cabinet Paper May 2018

<https://democracy.bristol.gov.uk/documents/s21414/2018%2004%2023%20Colston%20Hall%20Decision%20pathway.pdf>

Cabinet Paper July 2020

<https://democracy.bristol.gov.uk/documents/s50616/20%2007%2014%20Colston%20Hall%20Decision%20Pathway%20July%202020%20Cabinet%20-%20Clean.pdf>

<b>Revenue Cost</b>	£1.3m p.a. additional borrowing cost and MRP for 50 years	<b>Source of Revenue Funding</b>	Capital Financing Budget and MRP provision set aside for the approved capital programme
<b>Capital Cost</b>	Revised cost envelope of £106.9m (including an additional £44.394m funding from the Council's borrowing)	<b>Source of Capital Funding</b>	The Council's borrowing (additional borrowing funded by releasing £44.394m from Capital programme contingency) and external public and private funding raised by BMT
<b>One off cost</b> <input checked="" type="checkbox"/> <b>Ongoing cost</b> <input checked="" type="checkbox"/>		<b>Saving Proposal</b> <input type="checkbox"/> <b>Income generation proposal</b> <input type="checkbox"/>	

**Required information to be completed by Financial/Legal/ICT/ HR partners:****1. Finance Advice:** Please see Appendix G and exempt Appendix I2 for detailed officer financial advice.**Finance Business Partner:** Tian Ze Hao, Senior Finance Business Partner

Date: 01/03/2020

**2. Legal Advice:**

The Council is seeking to secure a fully comprehensive specification of the work necessary to complete and fit the building out, with a robust price that is as fixed as possible, by agreeing variations to the existing construction contract with Wilmott Dixon including appropriate variations to the Parent Company Guarantee, Performance Bond (if required) and to the relevant collateral warranties in favour of BMT.

This rearrangement of the project also requires amendments to many of the consultant appointments, particularly where significant changes in responsibility are required. These changing relationships also require variation of the collateral warranties that have been secured from the consultants in favour of the Trust and, where appropriate, the Council.

There will be a considerable number of deeds of variation, with concomitant time implications. Preparatory work on the deed of variation for each consultant has commenced, but is at an early stage, the concentration thus far having been on resolving the construction contract. Negotiations with consultants continue.

Legal advice is being provided at all stages of the process.

To ensure a robust legal position and enable timely completion of necessary legal work, external lawyers have been appointed to supplement the advice provided by the Council's inhouse legal team.

The Collaboration Agreement between the Council and BMT also requires amendment; so far, only very broad outline indications of what will change in this relationship are available. Until then, the Council remains liable to the Trust for underwriting any costs that are over and above those agreed in the Collaboration Agreement, including payments against the Entrustment Agreement and costs that arise outside the Trust's control.

**Legal Team Leader:** Eric Andrews

Date: 01/03/21

**3. Implications on IT:** No anticipated impact on IT Services

IT Team Leader: Simon Oliver

Date: 29/01/21

<b>EDM Sign-off</b>	Stephen Peacock	26/2/2021
<b>Cabinet Member sign-off</b>	Mayor	26/2/2021
<b>For Key Decisions - Mayor's Office sign-off</b>		01/03/2021

<b>Appendix A – Further essential background / detail on the proposal</b> A1 – Full Project Programme A2 – Confidence in Cost <ul style="list-style-type: none"> <li>• Complete</li> <li>• Stop</li> <li>• Pause</li> </ul> A3 – Bristol Beacon Timeline A4 – Project Managers Report Feb 2021	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b> 9th February – Exempt Scrutiny Briefing 24th February - OSMB	<b>YES</b>
<b>Appendix D – Risk assessment</b>	<b>YES</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>YES</b>
<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>YES</b>
<b>Appendix G – Financial Advice</b>	<b>YES</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b> I1 – Cost Plan I2 – Exempt Financial Advice I3 – Costed Operational Risk Register I4 – Costed Project Specific Risk Register	<b>YES</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>