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Executive Board, 14th October 2009

Late Item for Consideration

Leeds Arena – Yorkshire Funding Forward

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Agenda:

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Not for Publication: The Appendix of this report is exempt/confidential under Access to Information Rule 10.4 (3)

Report of the Director of City Development

Executive Board

Date: 14th October 2009

Subject: LEEDS ARENA – YORKSHIRE FORWARD FUNDING

Electoral Wards Affected:

Ward Members consulted (referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In (Details contained in the report)

EXECUTIVE SUMMARY

This late item of business has been added to the agenda as a result of emerging information which requires that the Board consider possible alternative funding arrangements in relation to the Arena development. If these matters are not considered at this meeting delays in the programme already commenced could result which would be detrimental to the scheme.

This report updates members of Executive Board on the current position regarding Yorkshire Forward's proposed contribution of up to £18m to part finance the Leeds Arena project. In view of the potential that the Government does not agree to authorise Yorkshire Forward funding in whole or in part, officers have outlined in the confidential appendix (which is exempt/confidential under Access to Information Procedure Rule 10.4(3)) of this report an alternative strategy which could be used if required to ensure that the scheme progresses as planned to the existing timetable.

1.0 Purpose of this Report

- 1.1 To update members of Executive Board on the current position with regard to Yorkshire Forward's contribution to the development of Leeds Arena and to agree an alternative funding strategy should the Government ultimately not approve Yorkshire Forward's planned funding for the project.
- 1.2 This report has not been included in the Council's Forward Plan of key decisions on the basis that the issues it relates to were only brought to the Council's attention on Thursday 8 October 2009.

2.0 Background Information

- 2.1 Leeds has held a long standing ambition to deliver an arena in the City that maximises the social, economic and cultural benefits that such a facility will deliver and help Leeds to go up a league as a City and regularly host world class entertainment which enhances Leeds' profile.
- 2.2 Members will recall on the 5 November 2008 they gave approval for the injection of £65.05m in to the capital programme to provide the balancing finance to enable Leeds City Council to deliver an arena at Clay Pit Lane. In total the £80.50m outturn costs was to be financed by a mixture of commercial revenue generated by the scheme amounting to £46.7m (58%) with the balance being split equally by Leeds City Council and Yorkshire Forward at £16.9m each, with a proposal that the maximum Yorkshire Forward investment would be capped at £18m.
- 2.3 Subsequent to that decision the Council has moved forward with its plans for the development of the facility. The site of the former Brunswick Building was purchased by the Council towards the end of 2008 which means that the whole of the 5.1 acre site identified for the arena is owned by the City Council. A multi-disciplinary design team has been appointed and has progressed the design to the end of RIBA Stage C and have now commenced detailed design. The Council has finalised its agreement for lease with SMG who will operate the arena with the benefit of a 25 year lease providing a guaranteed rental payment to the Council. The outline planning application has been submitted to the Council for their informal review prior to it being formally submitted on the 30 October 2009 and finally, first stage tenders to shortlisted construction contractors are due to be dispatched on the 22 October 2009.
- 2.4 The significant progress that the Council has made with its plans are still on track to lead to the development starting on site before the end of 2010.

3 Main Issues

- 3.1 The Board of Yorkshire Forward unanimously supported the allocation of up to £18m of funding from the Leeds Geographic Programme to the Leeds Arena at its Board meeting on the 4 June 2009. Subsequent to that decision, officers of Yorkshire Forward have liaised with Civil Servants in the Department for Business Innovation and Skills (BIS) and the Department of Communities & Local Government to gain Central Government sign off for the proposed funding package.

This led to Yorkshire Forward presenting their business case to the Industrial Development Advisory Board (IDAB) on the 24 September 2009, who in turn will make a final recommendation to the Secretary of State for BIS.

- 3.2 On Thursday the 8 October 2009 LCC received verbal feedback from Yorkshire Forward and a copy of IDAB's draft press statement stating that IDAB recommended that 'the scheme can be developed further to provide the best possible value for money'. At the time of writing it is not clear in detail exactly what the issues are that IDAB seek to be developed further. However, informally, it is understood that IDAB feel there should be more commercial revenue in the scheme which in turn would reduce the cost per job ratio for public sector investment. Accordingly, in the context of the £46.7m of commercial revenue already in the scheme, officers are liaising with Yorkshire Forward to obtain clarity on this point.
- 3.3 In light of the above and the timetable that the scheme is progressing to it will clearly become an issue if the Council has to delay the project pending resolution of the issues that IDAB have raised. In particular, members of Executive Board agreed in February 2009 a series of key performance indicators for the delivery of the arena one of which was to maintain project momentum. The current work being undertaken is the completion of RIBA Design Stage D which will lead to a Design and Cost Report coming to Executive Board in February/March 2010.
- 3.4 In view of the situation outlined above an alternative funding proposal is outlined in the attached confidential appendix which could be progressed if the Government does not authorise the Yorkshire Forward funding in whole or in part. The funding package proposed has been selected because it:
- Enables the scheme to progress as planned to the existing timetable and design
 - It places no greater burden on the Council's finances or Council tax payers

4.0 Implications for Council Policy and Governance

- 4.1 The Leeds Strategic Plan 2008/2011 seeks to facilitate the delivery of major cultural schemes of major significance. The delivery of the Leeds Arena is central to delivering that improvement priority.

5.0 Legal and Resource Implications

- 5.1 The resource implications related to this report are outlined in detail in the confidential appendix.
- 5.2 It is considered that the public interest in disclosing the alternative funding strategy at this time, may prejudice the Council's ability to finalise its funding plans. Accordingly, the information contained in the separate Appendix is marked as Exempt/Confidential under the Council's Access to Information Procedure Rule 10.4 (3).

6.0 Conclusions

- 6.1 For many years Leeds has sought to deliver an arena as part of its ambition to go up a league as a City. After many years of work on this project the Council is now well placed to be able to turn those ambitions into reality and the alternative funding plan outlined in the confidential appendix has been developed to safeguard the long term legacy and value that the arena will bring to Leeds.

7.0 Recommendations

- 7.1 Members of Executive Board are asked to approve the alternative funding strategy as outlined in the Confidential Appendix to ensure that the Leeds Arena Scheme can progress as planned, should the Government not release the whole of the £18m Yorkshire Forward funding proposed.
- 7.2 To agree that officers bring back a Design and Cost Report for the scheme once the RIBA Stage D design has been completed by the Council's design team to agree a design and cost freeze for the project.

Background Papers

None.

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