



NOT FOR PUBLICATION

Appendix 1 only, Exempt/Confidential under Access to Information Procedure Rules 10.4.3

Report of : Learning & Leisure & Development Departments

To : Executive Board:

Date: 13 December 2006

Subject: PROPOSED MULTI PURPOSE ARENA DEVELOPMENT

Electoral Wards Affected:

Specific Implications For:

Equality and Diversity	<input type="checkbox"/>
Community Cohesion	<input type="checkbox"/>
Narrowing the Gap	<input checked="" type="checkbox"/>

Eligible for Call In

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

Executive Summary

The report informs members of Executive Board of the key findings and recommendations of the consultant's report into the preparation of a detailed delivery plan and programme for the selection of an operator, developer and funder to develop a multi purpose arena and associated conference and exhibition facilities. In terms of site selection the report concludes that there are a number of sites suitable for accommodating an arena and associated developments, subject to competition and various levels of public investment. In light of the range of benefits and delivery issues identified across all sites, the consultants have advised that the preferred procurement route must not prejudice any site proposals coming forward. As such, the procurement competition should invite bids from developers/landowners on their own sites, whilst also advising as to the availability of a publicly owned site namely Elland Road, for those developers who either do not have land interests or believe that the publicly owned site offers the best solution.

The report advises that the consultants had assessed two potential procurement routes namely, Design Build, Finance and Operate and a 'Split' procurement process. The consultant's recommend that the split procurement route be pursued, whereby in the first instance an operator is selected by the Council and then the operator inputs into the final arena specification to be provided to interested developer consortia and joins with the Council in the selection process for the developer/site. The consultants also advise that the

Council should explore the option of forming a Special Purpose Vehicle as a fallback option in case a suitable operator proposal is not forthcoming.

The report advises Executive Board that the consultants have explored a number of options regarding the provision of conference and exhibition facilities in the City and have concluded that the least favourable option is to develop a purpose built conference centre and, instead consideration should be given to conference facilities being provided as part of the arena development if bidders determine there are justifiable business reasons for doing so.

Executive Board are advised that a funding model has been developed that can be used to run various funding scenarios for the arena development. The consultants have identified a potential public sector funding requirement the level of which varies dependent upon the location and specification of the proposed arena. Details of the potential public sector funding requirement are contained in Appendix 1 of the report, the details of which are confidential under Access to Information Procedure Rule 10.4.3. It must be emphasised that each funding scenario presented by the consultants is purely illustrative at this time and within each option a number of general assumptions have been made that may be improved through the competitive procurement process.

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to:-

- i) Seek Executive Board's support for the key findings and recommendations contained in PMP's report on the proposed funding and procurement of a multi – purpose arena and, potentially associated conference and exhibition facilities in the city.
- ii) Seek Executive Board's approval to the proposed delivery plan to be pursued by the City Council to select an operator and developer/funder for the development of a multi purpose arena and associated facilities.
- iii) Note the required public sector investment limit to be set at £20m to facilitate the development of a multi purpose arena in the city.
- iv) Authorise the ongoing appointment of PMP Consultants to project manage the implementation of the detailed delivery plan to select a preferred operator and developer/funder to develop a multi purpose arena and associated facilities.
- v) Authorise an injection of upto £235,000 and the incurring of expenditure of between £435,000 to £535,000 for the appointment of consultants and internal City Council fees to project manage the detailed delivery plan.
- vi) Note the project governance arrangements to be established by the Council to guide, manage and control the project for the development of a multi purpose arena.

2.0 BACKGROUND INFORMATION

2.1 On behalf of the Leeds Cultural Partnership, the City Council and Yorkshire Forward initially appointed PMP Consultants to undertake a comprehensive feasibility study into the provision of concert, arena and other music related facilities in the city and, to consider whether such facilities are sufficient, of the appropriate quality or have the capacity to be improved to meet present and anticipated future needs.

- 2.2 The feasibility study concluded that there was clear potential in the city to progress the development of a multi purpose arena providing around 12,500 seats capable of hosting both music, sporting and non sporting events, combined with the potential development of conference and exhibition facilities that would complement existing provision in the region. PMP advised that based on the analysis undertaken, there were a number of sites within and around the city capable of accommodating the nature and type of facilities proposed in the study.
- 2.3 Executive Board at its meeting in November 2005 considered the key findings of the feasibility study and agreed with regard to the proposed arena development to:-
- i) Endorse the recommendations on the conclusions of the Cultural Facilities Study and the proposed way forward.
 - ii) Authorise the appointment of consultants to advise the Council on the development of a delivery strategy for a proposed new arena and associated facilities.
- 2.4 PMP Consultants were subsequently procured by a competitive process to develop a detailed delivery plan and programme for the selection of an operator, developer and funder to develop a multi purpose arena and associated facilities. The consultants were to advise the Council on the funding model and funding implications for the Council to secure the development of the specified facilities and, to advise as to whether a preferred site for the proposed development should be identified and, if so, to identify the preferred location based on the sites identified on the initial feasibility study and any other locations considered appropriate.
- 2.5 With the regard to the potential provision of conference and exhibition facilities and, having regard to existing provision in the region, the consultants were to define the nature, type, size and focus of any such proposed facilities that would complement the existing regional offer

3.0 CURRENT PROVISION

- 3.1 PMP Consultants have completed their report, the contents of which are confidential under Access to Information procedure Rule 10.4.3. A summary paper is, however, attached for information. The consultant's key findings/conclusions may be summarised as follows:-
- i) Site Assessment**
- 3.2 The consultant's have developed the original site availability and suitability exercise that was undertaken as part of the initial feasibility study. In moving the process forward, the consultants have updated their qualitative assessment matrix produced as part of the initial study for this sites that were considered suitable and capable of accommodating the area development and have considered any other new locations that were subsequently considered appropriate.
- 3.3 In terms of their ongoing assessment, the consultants works has focused primarily on:-
- Deliverability issues
 - Timescale for deliverability
 - The extent to which specific sites have the capacity to contribute towards the funding of an arena development.

- The wider socio-economic impact an arena would have on the immediate surrounding environment and the city as a whole.
- 3.4 Executive Board should note, that whilst PMP are of the view that there are complications and challenges to overcome in relation to all of the potential site options, the results of the site assessment exercise concludes that there are a number of sites in the city centre, on the edge of the city centre and 'out of centre' that can accommodate the arena and which would assist in its commercial delivery, subject to competition and various levels of public investment.
- 3.5 In relation to the potential site options, all of the sites vary in terms of their potential to contribute to the wider socio-economic benefits of the city. At a more peripheral, out of town location, visitors to an arena are more likely to attend an event and then leave without participating in any other economic activity. In a city centre/edge of centre location it would be envisaged that a visit to the arena might be combined with a range of other city centre activities. PMP have calculated that the economic impact of an arena, dependant upon its location could contribute between £17m (out of town venue) and £28m (city centre/edge of centre location) per annum to the city economy, whilst the regenerative impact could range from just over £50m to approaching £300m dependant upon the location of the development. An arena proposal can play a key role in raising the profile of the city, helping Leeds fulfil its role as the focus of the city region and raise itself up a league to be recognised as a major European city.
- 3.6 PMP are, therefore, of the opinion that in light of the range of potential benefits and delivery issues identified across all sites, the procurement route outlined in the paragraphs to follow must be structured in such a way to maximise competition between sites and promote value for money and as such, must not preclude any site proposals coming forward and should be organised in a manner so that the sites can be fairly evaluated.

ii) Procurement Process

- 3.7 PMP are of the view that of critical importance to the selection of the preferred procurement route is the balance between providing a process that maximises bidder interest and allows different approaches to be recognised, against the need to ensure deliverability against the requirements of the project.
- 3.8 In considering the potential procurement routes, PMP advise that there are essentially five key components to be considered:-
- vii) **Operator:** In order to maximise long terms sustainability, the arena will require an experienced operating company and/or personnel capable of delivering a full and varied programme of events.
 - viii) **Site:** There are a limited number of sites suitable for the proposed arena development. Several of the potential sites will require significant land assembly work in order to make them deliverable and, as such, the inclusion of the landowner(s) will be a core component of any development solution.
 - ix) **Developer:** A developer will be required to provide risk capital, co ordinate the site master planning, secure the land and lead the project. Achieving a solution that marries the preferred developer with the preferred operator will be critical to the delivery and long term success of the venue.

- x) **Contractor:** A suitably experienced contractor will be required to build the facility. It is anticipated the contractor and a specialist design team will form part of the developer's team.
- xi) **Funder:** Significant finance will be required from the public and private sector in order to deliver the project and, therefore, the selected procurement route and delivery vehicle will need to be 'attractive' to potential funders if the requisite level of funding is to be achieved.

3.9 In order to satisfy the key components detailed in paragraph 3.7 (i) to (v) above, PMP are of the view that there are essentially two procurement options available to the Council namely:-

- (i) Procure a consortium that will design, build, finance and operate the new arena and associated development.
- (ii) Split procurement, seeking an operator for the venue (who may also provide an element of finance) and, separately the selection of a developer to design, finance and build the venue.

3.10 PMP have recommended that the Council should pursue the split procurement route as such an approach most closely matches the Council's key outcomes and, in particular, would address the concern regarding the limited operator market. The consultants are of the view that the approach would also have the flexibility of allowing the Council the opportunity to consider the establishment of Special Purpose Vehicle management arrangements should the operator procurement not produce the desired results.

3.11 The split procurement route would be based on an overlapping, two streamed process, summarises as follows:-

- (i) **Operator Selection:** A competitive procurement process would be pursued for the appointment of a preferred operator. The process would involve bidders submitting full business plans, with worked up programmes and projected profit and loss accounts. Operators would be given guidance on what the Council hopes to achieve, but the final nature of the facilities would be flexible to allow operators to present proposals they believe to be economically viable. PMP believe that this process will enable the selection of the preferred operator plus a reserve. In the event that no satisfactory operator proposals are submitted, the Council could consider the establishment of a Special Purpose Vehicle for the operation of the new facility.
- (ii) **Site/Developer Selection:** The Council would invite proposals from landowners and developers interested in bringing forward an arena scheme. The process would commence at a time such that a preferred operator could participate in the site/developer selection and, the finalisation of the arena output specification.

Members of Executive Board should note that in pursuing the selection of the site/developer, interested parties would be advised as to the availability of a publicly owned site that is available and capable of accommodating the arena development. PMP believe that it is vital that a publicly owned site be offered to the market as this will ensure at least one deliverable option thus leveraging a competitive response from the market both in terms of :-

- Offering developers without an existing land ownership/interest the opportunity to participate in the procurement process.
- Providing a meaningful alternative option capable of being delivered, against which owners/developers of privately owned sites will have to compete against.

PMP believe the split procurement process will ultimately allow the Council to select a preferred operating partner and preferred developer/site for delivery of the arena and should minimise public sector investment via an open and competitive process.

(iii) **Funding**

- 3.12 PMP has developed a funding model that can be used to run various scenarios for an arena development. Examination of three potential scenarios has identified a public sector funding requirement the level of which varies dependent upon the location and specification of the proposed arena development. Details of the level of the public sector funding requirement are contained in Appendix 1 of the report which are confidential under Access to Information Procedure Rule 10.4.3. Executive Board should note that at this time precise details of the specification for the arena have yet to be determined, though the core facility mix would be likely to include the main arena space and associated technical facilities, secondary arena space, office accommodation and IT services, dressing rooms and backstage areas, reception, foyer and circulation spaces.
- 3.13 PMP have emphasised that each scenario is purely illustrative and within each a number of general assumptions have been made that may be improved through the competitive process. Executive Board should note that the indicative costs for the city centre options are significantly higher than those for the out of town option, due to an assumed higher overall arena specification offering more flexibility and, an architectural quality appropriate for the city centre environment.
- 3.14 Whilst PMP advise there is a large funding gap for the three scenarios and feel that there may be the opportunity to reduce the gap in a competitive procurement process, they recommend that the City Council and its public sector partners should set a public sector investment limit for the project. They advise that the sum identified could be used in whole or part by any of the bidding consortia, although in competition it would be hoped that bidders would not necessarily seek to use the total funds available.
- 3.15 During the period of the study, PMP have been approached by private sector organisations to discuss the potential development of temporary venues in the city, pending the longer term development of a multi purpose arena. PMP recommend that the City Council should seek to further explore the opportunities that may arise with the provision of a temporary venue that has the potential to add value to the Council, the city and the arena procurement process, through the increased ability to stage events and the consequent opportunity to test and grow the event market prior to the opening of a new arena.

(iv) **Conference/Exhibition Provision**

- 3.16 The original feasibility study undertaken by PMP established a clear opportunity for the city to promote the development of new conference and exhibition facilities, the precise nature and type of such facility to be determined with regard to existing facility

provision in the region.

- 3.17 The consultants have examined a number of options to fill the gap ranging from improving existing facilities, developing a purpose built conference centre, through to incorporating such facilities within any new arena development. PMP advise that the least favoured option is to develop a purpose built conference centre, whilst the most favourable in terms of maximising benefit and minimising risk (to the Council) and, complementing existing provision in the City Region would be to consider the provision of an arena with sufficient technical capacity and flexibility to host conferences and exhibitions.
- 3.18 PMP advise that the ultimate decision on the inclusion or otherwise of conference facilities in an arena development should be determined by the bidders and, dictated by projections of the feasibility/desirability/operating benefit of adopting this approach. The consultants believe that such an approach could be progressed in parallel with the private sector exploring the potential for the provision of a temporary venue(see paragraph 3.15 above), whilst at the same time endeavouring to develop a positive working relationship with existing conference providers in the region. Members of Executive Board should note that Harrogate Borough Council has expressed concern that a conference/exhibition facility with a capacity for over 500 delegates would have a negative impact upon the Harrogate International Conference Centre, in which case that may lodge an objection to any proposed development.

4.0 THE WAY FORWARD

4.1 In order to progress the delivery plan for the procurement of a preferred operator and developer/funder, the consultants have identified a number of workstreams that need to be undertaken over the next 18 months which may be summarised as follows:-

- Operator Selection Process
- Public Sector Funding Package Development
- Development of Special Purpose Vehicle for Operation of the Venue
- Developer/Site Selection Process
- Planning Preparation and Submission
- Development of Temporary Venue Concept

4.2 In terms of timescale for implementing the delivery plan, the following provisional strategic milestones have been identified:-

January 2007: Develop public sector funding package. Explore temporary venue concept

February 2007: Commence operator selection process.

June 2007 Update financial model to check affordability. Issue tender documents to potential operators.

July 2007: Commence developer/site selection process.

December 2007: Selection of preferred operator. Shortlist developers/site

February 2008: Issue tender documents to developers.

May 2008: Select preferred developer/site.

- 4.3 Executive Board should note that once a preferred developer/site has been selected, a period of time will elapse in order to conclude planning, legal and financial agreements. Thereafter, at least two years should be allowed for the construction period, which will vary dependent upon the complexity of the site and the infrastructure improvements that may be required.
- 4.4 If Executive Board is minded to support the key findings and recommendations contained in PMP's report and, in particular, the delivery plan set out by the consultants there are a significant number of work areas that need to be progressed in order to arrive at a point where the preferred operator and developer/site are identified. Many of these areas of work require highly technical and specialist skills. In order to move forward in a timely manner and provide the best chance to develop a multi purpose arena in the city and, at the same time ensure the Council is properly advised, it is recommended that PMP Consultants be retained to project manage the implementation of the detailed delivery plan and to participate and advise the Council on the workstreams detailed in paragraph 4.1 above.
- 4.5 In order to manage the Council's input to the next stage of the project, it is intended to establish a Project Board to provide the overall strategic direction and management of the project. The Project Board which will be chaired by the Director of Development will comprise the Directors of Learning and Leisure, Corporate Services and Legal and Democratic services or their nominees. An officer from the Development Department will provide day to day coordination on the project, supported by a working group comprising officers from a number of service departments.

5.0 CONSULTATIONS

- 5.1 A wide range of consultation has been undertaken in the preparation of the consultant's report. The organisations consulted include a range of private sector development companies, events organisers, University of Leeds, Yorkshire Forward, Leeds Initiative and the British Tourist Authority.
- 5.2 Regional bodies including Yorkshire Forward, Bradford and Harrogate Councils have been consulted during the preparation of the study and all are supportive of the arena proposal in Leeds. Harrogate Borough Council has expressed some concern that the development of conference/exhibition facilities for over 500 delegates would have a negative impact on their local economy and may ultimately object to any development which incorporates such activity.
- 5.3 The Cultural Facilities Task Group's External Reference Group has been consulted and their comments will be presented to the meeting of the Executive Board.

6.0 OPTIONS

- 6.1 The option exists for the City Council not to support the key findings and the delivery plan proposed by PMP for the development of a multi purpose area and associated facilities.
- 6.2 Members of the Executive Board should note that support for the consultant's key findings and proposed delivery plan does not commit the Council to develop the

arena, but rather authorises officers to work with the consultants to procure an arena operator and developer/funder, at which time a report back on the financial implications to the City Council would be presented to the Executive Board, prior to the conclusion of any legal and financial agreements.

7.0 RESOURCE IMPLICATIONS

- 7.1 PMP have recommended that the City Council and its public sector partners should identify a 'limit' to the level of public sector funding that would be made available to the successful bidding consortia for the development of a new arena and associated facilities. Details of the level of the public sector funding requirements based on three location options for the arena are contained in Appendix 1 of the report, the contents of which are confidential under Access to Information procedure Rule 10.4.3. Executive Board is, however, recommended to support the provision of upto £20m of public sector investment in the project. Given the proposed programme outlined in paragraph 4.2 above, the earliest the public sector investment would be required for the project would be 2008/09. Members of Executive Board should note that discussions will be held with other public sector agencies to fully explore the potential to secure contributions to the public sector fund available for investment in the proposed arena development.
- 7.2 As part of the ongoing work to be undertaken and prior to Executive Board determining whether the arena development should proceed, Members will receive a report at the point in time when a firm commitment to the project has to be made on the financial implications to the Council and, in particular, how the public sector investment limit is to be funded. Whilst PMP recommend the establishment of a public sector investment limit for the project, they advise that this sum could be used in whole or part by the bidding consortia, however through competition bidders may not necessarily seek to use the total funds available.
- 7.3 At this time it has only been possible to estimate the fees that the consultants will seek for project managing the implementation of the detailed delivery plan which has been estimated at between £400,000 to £500,000 dependent upon the precise nature and extent of work that the Council would wish the consultants to undertake. Full details of the fees to be paid will only become available once a brief for the work has been determined and a fee proposal has been received from the consultants. In addition, a fee of £35,000 would need to be charged to cover the internal City Council project coordination costs. Existing budget provision of £300,000 is available (Capital Scheme No. 12589/ARE) to contribute towards the fees required for the ongoing appointment of the consultants and the City Council coordination role. The balance of the required funding (upto £235,000) will need to be authorised as an injection into the capital programme.

8.0 RISK ASSESSMENT

- 8.1 PMP have identified a number of residual risks which will need to be mitigated, quantified and managed through implementation of the delivery plan. The key risks may be summarised as follows:-
- Land assembly in terms of the ability to persuade different landowners to participate in the project without recourse to CPO action. If a site in private ownership is ultimately selected as the preferred location for the arena, the Council must seek to ensure that it 'can compel' the developer to implement the proposals.

- Affordability in terms of land acquisition costs (third party expectations), architectural design requirements (iconic design/city centre expectations) and site infrastructure costs.
- Limited number of potential operators interested in the project, with consequential need to consider establishing a Special Purpose Vehicle option if operator interest fails to materialise during the tender process.
- Planning risks in relation to local/third party objections, PPS6 issues and transport considerations.
- Ability to secure other public sector funding contributions to supplement funds to be made available by the City Council. Discussions will be held with other public sector agencies to secure contributions to the proposed development.

9.0 LINKS TO CORPORATE PRIORITIES

9.1 The Vision for Leeds 2004 to 2020 identifies a major project to improve the cultural life of the City, including developing a new, large scale international cultural facility such as an arena facility.

10.0 RECOMMENDATIONS

10.1 Executive Board is requested to:-

- (i) Support the findings and recommendations contained in PMP's report on the proposed funding and procurement of a multi purpose arena and associated facilities.
- (ii) Approve the proposed delivery plan to be pursued by the City Council to select an operator and developer/funder for the development of a multi purpose arena and associated facilities.
- (iii) Acknowledge the requirement for upto £20m as the public sector investment limit needed to facilitate the development of a multi purpose arena in the city.
- (iv) Authorise the ongoing appointment of PMP Consultants to project manage the implementation of the detailed delivery plan to select a preferred operator and developer/funder to develop a multi purpose arena and associated facilities.
- (v) Authorise an injection of upto £235,000 into existing Capital Scheme No. 12589/ARE and the incurring of expenditure of upto £535,000 for the appointment of consultants and internal City Council fees to project manage the detailed delivery plan.
- (vi) Note the project governance arrangements to be established to guide, manage and control the successful delivery of the next phase of the project to procure an operator and developer/funder for the development of a multi purpose arena

Supporting Documentation

- 1) Cultural Facilities Feasibility Study.