

New Performance Venue

1 Purpose

- 1.1 To realise the Council's ambition for a major performance venue in the City Centre.
- 1.2 To seek authority to acquire a new 3,500 capacity, highly flexible, performance arena within the Becketwell Regeneration area ("Performance Arena").
- 1.3 To agree the demolition of the Assembly Rooms site to facilitate future alternative use.
- 1.4 To continue to work collaboratively with Derby's cultural partners to maximise the cultural vibrancy of the city taking into account the impact of the new Performance Arena and of Covid19 on the wider visitor economy.
- 1.5 To seek authority to acquire 3rd party land to support the continued development of the Becketwell Regeneration area including the new Performance Arena and to authorise officers to commence and pursue Compulsory Purchase Order(s) where necessary.

2 Recommendation(s)

- 2.1 To authorise the Strategic Director for Communities & Place following consultation with the Director of Finance, Director of Legal, Procurement and Democratic Services and the Cabinet Member for Regeneration, Planning and Transportation to take all necessary actions to finalise and enter into all necessary contractual arrangements to acquire a new Performance Arena, with the benefit of a lease to an operator, in the Becketwell Regeneration area, subject to defined financial parameters.
- 2.2 To authorise the Strategic Director for Communities & Place following consultation with the Director of Financial Services and the Cabinet Member for Finance and Procurement to submit bids for and consequentially accept external funding and enter into any external funding arrangements to support this acquisition or the wider regeneration of the Becketwell Regeneration area.
- 2.3 To authorise the Strategic Director for Communities & Place in consultation with the Cabinet Member for Regeneration, Planning and Transportation to seek alternative uses for the existing Assembly Rooms site and to bring forward a Cabinet report setting out options as soon as possible

- 2.4 To approve additions to the Council's Capital Programmes subject to approval through the Council's gateway process as follows:

| | £000s |
|--|--------------|
| Becketwell Performance Arena | 35,144 |
| Becketwell Regeneration Area | 1,400 |
| Project Management Costs (Capitalised) | 556 |

- 2.5 To approve prudential borrowing as the Capital Financing Source and include in the MTFP and Prudential Indicators for 2021/22 onwards.
- 2.6 To recommend to Full Council to approve an increase in the borrowing requirement by £37.100m to undertake this investment from prudential borrowing.
- 2.7 To delegate authority to the Director of Financial Services to profile the Capital Programme and the MTFP in line with the contractual arrangements for acquisition and operation of the Performance Arena.
- 2.8 To incorporate within the MTFP the revenue implications (including borrowing costs) detailed within this report.
- 2.9 To note that further reports will be brought forward to Cabinet in respect of
- (a) the re-provisioning of the Padley Centre; and
 - (b) Derby Arena (Velodrome) Business Case.
- 2.10 To acquire the Padley Centre site as part of the Becketwell Regeneration area site assembly by mutual consent. If this is not possible, to authorise the Director of Property to take all necessary steps to pursue compulsory purchase orders to acquire the Padley Centre site and any other third-party land to support the continued development of the Becketwell Regeneration area.
- 2.11 To note that the Assembly Rooms building is surplus to requirements and the intended submission of a planning application by the Council to allow its demolition as the first stage in the redevelopment of the site.
- 2.12 Subject to planning permission being secured to proceed with the demolition of the Assembly Rooms, to adopt an active strategy to ensure the regeneration of the Assembly Rooms site as soon as possible and in the interim secure appropriate meanwhile uses.
- 2.13 To authorise the Strategic Director for Communities and Place, following consultation with the Cabinet Member for Governance and Licensing and the Director of Financial Services to enter into negotiations to terminate the contract for the refurbishment of the Assembly Rooms.

- 2.14 To authorise the Strategic Director for Communities and Place, following consultation with the Cabinet Member for Governance and Licensing and the Director of Financial Services:
1. to invite tenders for the demolition of the Assembly Rooms and associated works;
 2. to appoint a contractor to undertake such demolition and associated works, following a successful tender exercise;
- 2.15 To allocate the balance of the existing Assembly Room Refurbishment capital approval (net of demolition and other costs) to the proposed Performance Arena scheme at Becketwell.

3 Reason(s)

- 3.1 To bring forward proposals to create a new performance venue in the city centre to support the economic and cultural vibrancy of Derby City in line with the City Centre Masterplan 2030 and to support the city's economic recovery following the impacts of Covid 19.
- 3.2 To progress the demolition of the Assembly Rooms building and the development of a strategy to regenerate the Assembly Rooms site.

4 Supporting Information

4.1 Background

- 4.2 A new performance venue for the city centre and the regeneration of Becketwell are key priorities within the City Centre Masterplan 2030. Since the closure of the Assembly Rooms in 2014, Derby has been without a significant venue in which to hold regional and national cultural events thus depriving the city of a key visitor attraction to support its leisure and night-time economy. This position has only been compounded by the impact of the Covid 19 pandemic.
- 4.3 Over recent years the Council has considered several approaches to providing a new facility to meet the need for an effective venue to host a cultural programme of events and in December 2018 approved a budget of £24 million for the refurbishment of the Assembly Rooms as a performance venue.
- 4.4 Given both the age of the building and the damage caused by the fire in 2014 a series of surveys were undertaken (e.g. structural, intrusive asbestos surveys, concrete surveys) which indicated significant investment was required to bring the Assembly Rooms back into use, whilst still only providing for an asset life of between 15 – 20 years. The Council received regular reports on the project through the Major Projects Board which highlighted potential delays in completion due to the findings of the surveys and complexity of the refurbishment alongside a significant increase in costs arising from the findings of the detailed surveys.

- 4.5 In July 2019 the Council received a RIBA Stage 3 estimate of costs of £23 million from its consultants which left the £1 million client contingency. However, the programme of works indicated a slippage of completion date until June 2021.
- 4.6 As a result of the design work progressing from RIBA Stage 3 and the engagement of the main contractor (alongside more detailed surveys) the Council were notified by the design consultants in January 2020 that the previous cost estimate of £23 million had increased in excess of £30 million with further delays in completion.
- 4.7 The increase in costs alongside further delays in completion was considered not to offer value for money to refurbish an asset with a limited life of between 15 to 20 years. The Major Projects Board concluded that the Assembly Room refurbishment project should cease to avoid further costs being incurred and to commence the process of terminating the framework contracts with the main contractor and the design consultancy. This was a very difficult decision given the desire of the Council and the community for a replacement performance venue. The Council's leadership requested officers to explore a series of options to provide a performance venue and complementary cultural provision within the City Centre.

New Performance Arena in Becketwell

- 4.8 After decades of market failure, the Becketwell area of the city centre has experienced a progressive decline, and regeneration here is a key priority in Derby's City Centre Masterplan 2030. In March 2017, Cabinet approved an interventionist strategy for the regeneration of Becketwell involving: land assembly; site de-risking; leverage of private and public investment and the redevelopment of the area by the private sector. Since then, significant progress has been made on land assembly and a masterplan for the area was granted outline planning consent in February 2020. The demolition of the former Debenhams building is almost complete, which makes way for the proposed first phase of residential development on the site and a new public square.
- 4.9 St James Securities (SJS), the Council's partner in the Becketwell Regeneration programme, has approached the Council with a proposal to build a new 3,500 capacity Performance Arena on the land that they own or will acquire at Becketwell. This would bring a significant economic boost to the city and indicates both strong market interest and confidence in Derby which is to be welcomed given the uncertainties of the post-Covid economy. Under this proposal the new Performance Arena is expected to open in 2024.
- 4.10 From the outset the Council has stated that any proposal for a new Performance Arena must: (i) add significantly to the city centre's vibrancy and cultural and economic life; (ii) be financially feasible, affordable and with manageable risks; (iii) be capable of being delivered with confidence.

Senior officers have been in discussion with SJS and partners to ascertain whether their proposal fits these criteria and are now in a position to recommend that the Council progress this opportunity.

- 4.11 The proposed Performance Arena at Becketwell has been designed to be extremely flexible and would comprise:
- 3,500 capacity venue with the facility to rapidly change the seating arrangements and move partition screens and the stage so that the auditorium can accommodate smaller events (down to 800 capacity space);
 - Secondary space up to a 400 person capacity;
 - Provision of easy TV or radio coverage and with a high quality acoustic design (suitable for a range of music from classical to rock/ pop);
 - Large entrance/ foyer and circulation space with hospitality facilities including café, bars and food services
- 4.12 The facility will be operated by a private operator on a commercial basis. The facility has been designed to be capable of hosting a range of performances and events including:
- A wide range of music events
 - Up to c75% of touring theatre/ musicals
 - Comedy
 - Events, conferences and trade shows
 - Banquets and special events
- 4.13 The new Performance Arena complements the Becketwell masterplan which envisages a number of mixed uses in the area, including residential, new style offices designed for the post-Covid environment, car parking and a potential hotel all built around a new public square which opens the site to Victoria Street. The Performance Venue would stimulate further regeneration, investment and development of the Becketwell Regeneration area. Outline consent for the masterplan was obtained in February 2020 although a detailed consent will be required for this facility.
- 4.14 This is a significant investment in the future of the city centre which will be a catalyst for further developments in the vicinity of Becketwell and across the wider City. Post Covid 19, there is an urgent need for investment in the City to maintain its vitality. An independent economic assessment commissioned by the Council indicates a GVA in excess of £11 million per annum.

Commercial Arrangements

- 4.15 The scheme has been developed at risk to date by SJS with their advisers including Corstophine Wright Architects (who designed the Council House remodelling) and IPW venue advisers (with whom the Council has worked previously). The proposals have been scrutinised by officers from the across the Council's key departments.

4.16 The commercial arrangements are based on the following:

- the Council acquiring the Performance Arena by entering into a forward funding agreement with SJS. The agreement would be conditional upon a successful planning consent being obtained; and
- the forward funding agreement would come with the benefit of a long lease, on a full repairing basis, to an operator with lease payments made to the Council for the duration of the lease.

4.17 Under the above arrangements SJS will take planning and all construction build risks. For the duration of the lease, the operator would be responsible for marketing and operating the Performance Arena and would receive income from the Performance Arena. They would be responsible for all operational risks, including repair risks, booking risks and be responsible for making lease payments to the Council.

4.18 This report seeks delegated authority to officers to initially enter into Heads of Terms with SJS and progress to entering into the Forward Funding Agreement. SJS has agreed that it will progress procurement of an operator at the same time as negotiating and agreeing the Forward Funding Agreement. Following the operator procurement process and progression of negotiations with the Council in relation to the Forward Funding Agreement, SJS will progress the design and will move forward with a full planning application. It is currently anticipated that it will take 9-12 months to complete these steps and secure planning permission.

4.19 Initial financial modelling indicates that the Council would receive income from an operator for the period of the lease (to be quantified through the operator procurement process).

4.20 The development of this new Performance Venue is also forecast to have a significant economic benefit to the City (GVA of £11.1 million per annum), bring in an additional 250,000 visitors into the City, generate 211 new jobs, and bring forward both Business Rates and Council Tax from the development of the Becketwell Site.

Becketwell Site

4.21 Outline consent for the masterplan was obtained in February 2020. Phase 1 of the masterplan is progressing with the demolition of the former Debenhams building well advanced and contracts being finalised for the new apartments and new square. Further the recent Future High Streets Fund bid has sought funding to enable, amongst other projects, the development of new style offices in Summerhill Yard, to the rear of the Debenhams building.

- 4.22 To facilitate the Becketwell Regeneration project and specifically the development of the Performance Venue there are two key actions that need to take place
- (a) demolition of the former Pennine Hotel: this is already a Council obligation. Pre-Tender costings indicate that this and associated works will cost £1.4 more than the approved Council Capital Budget for the Becketwell Regeneration Area. This report seek approval for this additional funding to be added to the Council's Capital Programme.
 - (b) Padley Centre: the development of the Performance Arena requires the Council to acquire the Padley Centre Site. This is an integral part of the Council working with homelessness providers in the City to develop a new homeless pathway and more suitable facilities to provide the new model of service delivery. The Council has commenced discussions with the Trustees of the Padley Centre to look for alternative accommodation. However, should agreement not be forthcoming the Council would seek to exercise its Compulsory Purchase Order Powers to acquire the site. This report seeks approval (if required) for the Council to pursue a compulsory purchase order for the Padley Centre site and any other third-party land interests necessary to allow progression of the Becketwell Regeneration Area. A separate report will be brought forward identifying the capital cost of relocating the Padley Centre.

Project Management

- 4.23 The continued development of the Becketwell site is forecast to bring significant benefits to the City, its' economy and wider regeneration and service objectives. It is essential that the Council resource this with adequate project management and professional support
- 4.24 Initial assessment of client costs indicates the need for £598K of client costs to be budgeted for. These will be capitalised and include project management capacity for the relocation of the Padley Centre.

Assembly Rooms Site

- 4.25 Subject to the proposal for the Performance Arena at Becketwell in this report being approved the existing Assembly Rooms building becomes surplus to operational requirements. Given the age and structural condition of the Assembly Rooms building there is no viable alternative use for the vacant building and therefore the Council will seek to demolish this site (which has a certificate of immunity from listing) subject to planning consent.
- 4.26 Officers working with partners have been exploring alternative uses for the Assembly Rooms site following demolition. These options will be dependent on securing planning permission but could add significantly to the repurposing of the Market Place and the vibrancy of the City Centre.
- 4.27 Given the strategic significance of this site at the heart of the cultural quarter, the primary criteria for evaluating any proposal for this site will be its benefit to the *vibrancy* of the city centre in terms of its social, cultural and economic benefit to citizens.

- 4.28 The Council would also seek potential temporary or 'meanwhile uses' for the site, if there is a gap of more than 15mths between the demolition of the Assembly Rooms and the commencement of a new facility on the site. Such uses might include temporary car parking and temporary cultural or food and drink facilities
- 4.29 The proposed demolition of the Assembly Rooms is likely to include the demolition of the car park due to its linked construction and to maximise the future options for the site. Sperate arrangements will be put in place to preserve the Assembly Rooms' Jacobean ceiling off site (the ceiling is not listed).
- 4.30 A planning application will be submitted at the earliest possible opportunity. Any subsequent demolition will commence as soon as is possible after planning is obtained, a tender process completed and funding released. It is desirable (if the prerequisites are achieved) that demolition will commence as soon as possible.
- 4.31 Details of the estimated financial implications of the demolition of the Assembly Rooms Site is listed in Section 7.

Derby Arena

- 4.32 The opportunity for a new performance venue at Becketwell provides an opportunity to develop a new business plan for Derby Arena to focus on Sports (including e-sports). Currently Derby Arena operates a hybrid sports, entertainment programme with the biggest single event in terms of visitor numbers and revenue being the Pantomime
- 4.33 It is expected that there will be opportunities to co-programme events alongside the Becketwell Arena to maximise the visitor economy for Derby. However, it is important to note that the two venues should not be in competition with each other rather that they are complementary to each other with the main focus for entertainment being at the Performance Venue at Becketwell and the main focus for Sport being at Derby Arena at Pride Park.
- 4.34 A revised operating model for Derby Arena will be developed over the next 12 months to allow Derby Arena to develop a more unique and vibrant sports focus prior to the proposed opening of the Performance Venue at Becketwell in 2024.

5 Public/stakeholder engagement

- 5.1 Engagement regarding Becketwell regeneration has been ongoing with local stakeholders and land owners including the St Peters Quarter BID, local businesses, the United Reformed Church.
- 5.2 Public consultation was undertaken by SJS in March 2019 as part of their preparation of planning applications for Becketwell and consideration of their planning application submission was also subject to a statutory consultation process.
- 5.3 A public consultation exercise was carried out in the Autumn of 2018 to guide the Council's decision making on the provision of a new Performance Venue in the city which gave an overwhelming mandate to the Council's role in providing this.

6 Other Options

- 6.1 **Do nothing** – The Becketwell and Assembly Rooms sites are both absolutely critical to the successful regeneration, economic performance and vibrancy in the city centre. The option of allowing the Assembly Rooms to remain in situ as a redundant building and rejecting the proposal from SJS for a new Performance Venue at Becketwell is not considered the right one and does not deliver value for money. These proposals have a huge part to play in city centre regeneration the Council has a unique role in making them happen given the historic market failures.
- 6.2 **Deliver a new Performance Venue on the Assembly Rooms site** – The Council could choose an alternative site for a performance venue, with the Assembly Rooms site being the only one in the city centre and in Council ownership that is large enough. The proposal from SJS for delivery model based on a forward funding agreement is considered to deliver better value for money for the Council given the delivery risk transfer to the developer. On entering an Exclusivity Agreement with SJS as referred to above, the Council would not legally be able to pursue any alternative proposal for a venue of comparable specification to the one proposed by SJS.

7 Financial and value for money issues

- 7.1 The delivery of the key objective within the City Centre Masterplan is complex and has several interlinked projects. This section details the key financials linked to the different strands detailed earlier in the report

Becketwell Performance Arena

- 7.2 This report details a proposal for the Council is to enter into a forward funding agreement with SJS (the Developer) for the purchase of a Performance Venue on the Becketwell site. It is intended that the purchase agreement will come with the benefit of a long lease, on a full repairing basis, to an operator with lease payments made to the Council for the duration of the lease. As an external proposal with the option for a forward funding option it means construction costs risk is with the developer who will commit to providing an arena at a fixed cost. The developer will also secure an operator agreement for an indicative period of at least 25 years. Both the development of the Arena and the Operator agreement are inextricably linked

Capital

- 7.3 It is currently estimated that the capital cost of the forward funding arrangement is £45.807m plus stamp duty of approx. £0.087m

It is proposed to fund the purchase through a combination of borrowing and utilising available funds from the original Assembly Rooms refurbishment project (estimated to be £10.75m). The balance of £35.057m (plus stamp duty) will be sourced through borrowing if other sources of external funding cannot be identified. The revenue cost of borrowing this amount, assuming a rate of 2.72%, is £1.449m per annum.

As stated above the forward funding agreement means that the Developer (SJS) will take 100% of the construction risk and benefit from any savings they can secure in delivering the arena.

- 7.4 It was not possible to deliver the Assembly Rooms refurbishment at the approved budget of £24 million (that the Council had previously approved).

The Becketwell Arena has a proposed life of 40 years plus, whilst the Assembly Rooms proposal was only ever planned for a 15 year life with the potential for further significant investment and/or a new performance venue after this period.

Revenue

- 7.5 The Developer (SJS) with their venue advisors, IPW, have undertaken initial market analysis and discussions with the key Arena operators to establish a range of possible revenues that may be generated from an operator of a venue this size.

It is anticipated that the Arena development will provide a positive income stream over the 25 years (unlike previous proposals on the Assembly Rooms that required a management payment from the Council to an operator). The income stream from an operator to the Council will have both fixed and variable elements. The fixed amount will cover the operator rental with the variable elements dependent upon such things as the volume of tickets sales, naming rights, retail/food income and parking income. In this report we have included revenue streams to the Council at the mid-point of the market intelligence and assessment.

- 7.6 The revenue projections indicate the need for increased revenue budget to cover debt charges in year 1 and 2 of nearly £1.1 million per annum until the operator contributions come on stream at which point the additional revenue requirement drops to approx. £0.6 million per annum. This will reduce over the 25 years of the lease as the operator contributions will increase by inflation whilst the borrowing costs will remain constant. These pressures will need to be budgeted for and included in the Medium-term Financial Plan (MTFP). The only provision in the MTFP now is the £352K.

Associated Financial Benefits

- 7.7 The Becketwell Arena (as part of the wider Becketwell Regeneration Scheme) will deliver significant benefits to the City Centre. Members in considering the acquisition of the Arena should consider the wider financial benefits accruing from the Arena and the wider Becketwell Development as part of the appraisal. Headline financial benefits include:

| | Financial Benefit (Estimate) | Comments |
|-----------------------------------|-------------------------------------|----------------------------|
| Additional Business Rates | £2 million p.a. | From whole Becketwell site |
| Additional Council Tax | £0.8 million per annum | From whole Becketwell site |
| Additional GVA per annum | £11m per annum | From Arena development |
| Additional number of jobs created | 211 FTE jobs | From Arena development |

The development of the Arena will have a significant attraction for a hotel operator to build a hotel on the Becketwell site bringing further investment and spending power into the City Centre.

Derby Arena (Velodrome)

- 7.8 The current business model for Derby Arena generates £298K net income from Performance Events in 2019/20.
- 7.9 Development of the city centre Performance Arena at Becketwell will allow the re-focus of Derby Arena as a primarily sports-based venue with a complementary performance/conferencing programming delivered alongside (but not in competition with) the Performance Venue at Becketwell.
- 7.10 A new Business Plan will be developed for Derby Arena in the next 12 months to allow enough time for the new Sports based focus to be developed prior to the planned opening of the Performance Venue at Becketwell in 2024.

Becketwell Site

- 7.11 A reappraisal of the current approved programme for Becketwell Arena has identified the need for additional capital approvals to fund the agreed Capital deliverables and obligations.
- 7.12 For the performance venue construction to take place, the re-location of the Padley Centre and an ancillary building is essential. Officers are currently working with the Padley Centre, with the help of an external development consultant, to find an alternative suitable location.

Project Management

- 7.13 The development of a new Performance Venue in the City Centre is a complex project that requires professional external advice and robust internal project management arrangements with an estimated value of £598k.

Assembly Rooms Site

- 7.14 Cabinet in December 2018 approved capital funds for the refurbishment programme of £24 million (including a £1 million client capital contingency) funded as below:

| Funding | £m |
|---------------|--------|
| Council | 18.545 |
| External | 5.455 |
| Total Funding | 24.000 |

Following the decision to halt the refurbishment the external funding has been handed back to the LEP.

- 7.15 To date, the Council has spent £2.468 million on the refurbishment scheme, primarily with the two key contractors (design consultancy and main contractor) procured through the Scape Contract.
- 7.16 It is recommended that the demolition costs are charged against the original £24 million Capital approval as it is essential that the demolition is undertaken to bring this critical City Centre site into alternative use. On this basis, the demolition costs can be contained within the approved scheme financing and do not require additional capital approvals. The Accounting treatment for these costs will be dependent on the alternative use proposals for the Assembly Rooms Site.
- 7.17 A planning consultant will be procured to support the Council in evidencing and satisfying the planning requirement for demolition. This is estimated to cost £60K and will be funded from within existing approved budgets.
- 7.18 The Council's MTFP includes £240K of property maintenance budgets for the Assembly Rooms that will only be released on the demolition of the Assembly Rooms. It is proposed that this provision transfers to the Becketwell Performance Arena budget envelope when the Assembly Rooms demolition takes place.
- 7.19 The demolition of the Assembly Rooms Car Park will have a significant impact on the Council's MTFP. In 2019/20 the Assembly Room car park generated £446K of income (this was however, £69K down on the previous financial year, illustrating reduced visits to the City Centre with a consequential impact on City Centre vibrancy). The potential temporary loss of income is not contained within the MTFP and if this report is approved and demolition commenced would have to be included in the MTFP refresh. There is an option not to demolish the car park, however the complex linkages with the main site and options for future use of the site indicate that demolition is likely to offer the best value for money in the medium or long term.
- 7.21 At this stage, it is not possible to quantify any potential meanwhile use or its associated capital or revenue consequences. This would therefore be subject to a future cabinet report at the appropriate time.

- 7.20 It is anticipated that £10.750 million of the existing budget approved for the refurbishment of the Assembly Rooms will be available to be redirected into the Becketwell Performance Arena business. This is net of abortive costs on the Assembly Rooms, estimated demolition costs and the refunding of external funding previously secured from the LEP. New External Funding is being sought for the new Performance Venue at Becketwell which if secured would reduce the net borrowing costs.
- 7.21 The report recommends a series of delegations to the Strategic Director of Communities to progress the termination of contracts for refurbishment and progress such actions to demolish the Assembly Rooms. These will minimise the revenue holding costs of the site which can now be viewed as surplus to requirements.

8 Legal Implications

Demolition of the Assembly Rooms

- 8.1 There are no specific legal matters arising in relation to the demolition of the Assembly Rooms from this paper that are not covered by the report

Performance Venue

- 8.2 Geldards LLP have been retained by the Council to provide legal advice on the proposed deal structure with SJS and will advise and assist the Council with the drafting and negotiation of the forward funding agreement.

Procurement

- 8.3 The proposal as structured does not require an OJEU Notice to be published nor is there need to run a procurement competition in accordance with the Public Contracts Regulations 2015 ("PCR") in respect of this transaction.

State Aid

- 8.4 In broad terms, where the Council acts on market terms (for example whether the Council undertakes to develop its land on terms equivalent to those which a commercial landowner would agree) then the Council is not conferring an advantage on the other party and impermissible aid does not exist.

Other significant implications

9 Risks

The key risks in taking forward the proposal as described in this report are:

- 9.1 Becketwell Arena Capital cost increase:

The outline business case for investing in this project as outlined in this report include an assumption about the capital cost of the Arena. There is a risk that the any changes to the specification of the building required as a result of the planning process or input from the procured operator may increase costs. There are two key mitigations for this risk. Firstly, the forward funding

agreement will only be completed when an operator is procured and therefore there is more certainty that the building specification is acceptable to the market. Secondly, the forward funding agreement model means that the developer takes delivery risk i.e. any cost increase during the construction phase will be borne by the developer

9.2 Deliverability: Land ownership and planning consent:

There are risks to the deliverability of the project as some land required for delivery of the Arena is currently in third party ownership (see paragraph 4.22). This risk is being mitigated by proactive work with the third party owners to negotiate acquisition and approval is sought through the recommendations in this report to pursue a compulsory purchase orders where required.

There is also a deliverability risk given a Performance Arena development at this location does not currently have planning consent. The planning risk is considered to be low given that the Local Plan supports a comprehensive mixed-use development to regenerate the Becketwell area and outline consent is in place for a regeneration masterplan including a variety of uses to bring vibrancy and economic benefit to the city centre.

9.3 Operator procurement:

The Performance Arena proposed for Becketwell is based on a commercial venue run by a private sector operator. The Council's developer partners have committed to procuring an operator once Cabinet approval is in place cementing the Council's intent for the project. There is a risk that the procurement exercise is not successful and an operator is not found for the venue, however this has been mitigated through extensive soft market testing and market assessments to evidence both the consumer demand for this size of venue and that there are operators in the market place interested in running it.

Sustainability

9.4 The city centre is the most sustainable location for a venue of this size, given the access to public transport links.

9.5 The specification, design and construction of the Arena will need to take into account industry standard carbon technologies and energy use will be an important consideration.

This report has been approved by the following people:

| Role | Name | Date of sign-off |
|---------------------|--------------------|------------------|
| Legal | Emily Feenan | 09-07-2020 |
| Finance | Simon Riley | 09-07-2020 |
| Service Director(s) | Gerry Dawson | 09-07-2020 |
| | Claire Davenport | 09-07-2020 |
| | Steve Caplan | 09-07-2020 |
| Report sponsor | Rachel North | 09-07-2020 |
| Other(s) | Catherine Williams | |

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|--------------------|--|
| Background papers: | Proposed Becketwell Arena: Economic Impact Assessment (Amion Consulting, May 2020) |
|--------------------|--|