

# CABINET



Report subject	<b>Bournemouth International Centre (BIC) short to medium investment plan</b>
Meeting date	20 December 2019
Status	Public Report
Executive summary	The purpose of the report is to seek the allocation of funding to undertake short to medium term investments in the Bournemouth International Centre (BIC), to ensure it continues to be a venue of choice for conferences and entertainment.
Recommendations	<p><b>Cabinet recommends that Full Council:-</b></p> <ul style="list-style-type: none"> <li><b>(a) Supports the proposal for up to £4.7m `short term` remodelling programme of the Bournemouth International Centre (BIC), on the understanding that only up to £1.8m of this will be committed in advance of the longer-term BIC development options study.</b></li> <li><b>(b) Approves the use of up to £4.7m of Prudential Borrowing at assumed interest rate of 5.5% over 25 years.</b></li> <li><b>(c) Delegates to the Corporate Director and Portfolio Holder for Destination &amp; Culture responsibility for approving the final specification and phasing of the programme.</b></li> <li><b>(d) A commitment to review spending of uncommitted monies in years 2 and 3 of this project should the BIC long term development plan warrant that.</b></li> <li><b>(e) Delegates approval of the final funding strategy to the Chief Financial Officer, in liaison with Corporate Director and Portfolio Holder for Finance and Destination &amp; Culture; and</b></li> <li><b>(f) Notes that a further report will be brought for Member approval to address ongoing asset management needs across the whole of the BH Live estate.</b></li> </ul>

Reason for recommendations	<p>The recommendation is in line with Cabinets strategic priorities and the Council is committed to continued investment in the asset utilising existing budgets.</p> <p>The proposed investments will maintain (or improve) the BIC`s market positioning as a top conference centre, whilst the Council explores a longer-term vision for the redevelopment of the BIC and wider site in the future.</p>
Portfolio Holder(s):	Lewis Allison (Portfolio Holder Tourism, Leisure & Communities)
Corporate Director	Bill Cotton – Corporate Director Regeneration and Economy
Contributors	<p>Beccy Brookwell – Head of Construction &amp; FM</p> <p>Anthony Rogers – Head of Leisure</p> <p>Simon Percival - Principal Surveying Manager</p>
Wards	Bournemouth Central
Classification	Decision

## Background

1. A report was brought to Cabinet in July 2019. An element of the report sought approval for the continued reinvestment of a proportion of the annual service fee, payable by BH Live, to prudentially borrow £9m over 25 years. This was to be used for the short to medium term investment priorities for the Bournemouth International Centre (BIC), under any scenario.
2. This report was approved, but further detail was requested on the work and level of investment required to ensure the BIC continues to be a venue of choice for conferences and entertainment, this work was to be prioritised.

## Conferencing & Events

3. The Council continues to explore a longer-term vision for the complete redevelopment of the BIC and wider site in the future. Due consideration has therefore been given to the investment projects proposed, which may have implications for the longer-term vision and redevelopment.
4. Over the past five years there has been a growth in the overall number of conferences and meetings taking place in the U.K. However, the growing importance of price and value for money, paired with quality of facilities as major factors influencing venue selection, the need to reinvest in facilities to maintain market share is imperative.
5. The BIC operates in a congested marketplace to secure large national association events, with its primary competition coming from other major convention/exhibition centres in the country. In comparison the BIC has a larger theatre style capacity but smaller exhibition space than its competitors.

Furthermore, despite a similar number of meeting rooms at BIC, these do not always provide an appropriate size and quality for market demand.

6. Several cities / venues are developing new or investing in their existing provision. According to UKCAMS it was found that 82% of venues had undertaken some investment in 2017, with a third of venues investing more than £100,000 and over 15% over £500,000. This is pertinent to the BIC, as these venues predominantly attract association events, BIC`s key target market.

### **BIC Short to Medium term Investment**

7. The key objectives for the remodelling include:
  - Significantly enhance the attractiveness of the BIC
  - Ensure that BCPC investment in the BIC is cost-effective and provides good value for money
  - Optimise wider benefits for the Bournemouth local economy arising from the BIC.
  - Increase the customer experience
  - Increase the number of events, conferences and exhibitions
  - Provide more banqueting and hospitality
  - Give greater economic benefits for Bournemouth
  - Increase occupancy and yield
  - Reduce operating costs.
  
8. To meet these objectives, an outline programme of works totalling £9.37 million has previously been developed. These interventions were appropriately grouped together into packages to allow for an individual assessment as part of the options appraisal/ business case. A summary of the proposed interventions is detailed in Table 1 below:

**Table 1**

<b>Option</b>	<b>Title</b>	<b>Description</b>	<b>Investment £m</b>
1	External Entrance Enhancement	An upgrade of the front entrance to the BIC, with increased public access from the street and car park	2.31
2	Internal Refreshment	General refurbishment and modernisation of floors, carpets, dressing rooms, toilets and foyer bars.	0.56
3	Foyer & Café Enhancement	Increased number of toilets and larger foyer. The Bourne Lounge is upgraded with partitioning. Reconfiguration of the café at ground floor with an additional café created below	2.0
4	Breakout/ Meeting Room Enhancement	Reconfiguration and refurbishment of current breakout facilities, and an extension to the Purbeck Lounge. System installed in the Solent Hall to	4.5

Option	Title	Description	Investment £m
		allow it to be broken up into two/ three separate rooms.	
	<b>Total</b>		<b>9.37</b>

9. Business planning was undertaken for each of the project options, followed by an option appraisal against six criteria: economic impact, BIC operating position improvement, enhance customer experience, enhance attractiveness of the BIC internally and externally and increase number of visitors.
10. In July 2019, Cabinet requested a further report on the work and level of investment required to ensure the BIC continues to be a venue of choice for conferences and entertainment.
11. The Council subsequently employed IPW a specialist consultant within the area of entertainment and conference facilities with the following brief:
  - Identify and prioritise projects previously considered in the Business Case for implementation in the short-medium term, based on the objective set out above (discounting any that do not specially meet this objective)
  - Set out the rationale for the selection of each project, with reference to the Business Case work and our industry experience
  - Develop a description and indicative layouts for the selected projects
  - Produce capital cost information for each project
  - Provide a commentary on the financial and operational implications of each intervention
  - Make recommendations as to the scheduling of the works (e.g. Year 1, 2 etc)
12. Table 2 illustrates which options meet the criterion set out above and to what extent (low, medium, high).

**Table 2**

Description of projects	Enhance attractiveness to Conference Organisers
Small breakout rooms upgrade – improve lighting and input glazed opening into spaces	High
Bourne Lounge – breakout rooms created through movable partitioned walls	High
Solent Hall partitioning to allow division of the room into two/ three through floor to ceiling acoustic partition	High
Purbeck Lounge extension – Reconfiguration and extension of Purbeck Lounge by 83m <sup>2</sup> , through to outside terrace. (331m <sup>2</sup> total – to give 250 banqueting capacity)	High
Bayview suite extension – new mezzanine level to be created in Solent Hall, extending from the Bayview Suite, to create 300 delegate space	High
Purbeck Lounge vertical duplication	High

Description of projects	Enhance attractiveness to Conference Organisers
Internal refreshment – corridors, foyers, floors and walls in customer facing areas	Medium to High
Digital Signage & Infrastructure	Medium to High
Café is enhanced, and rooms demolished to increase foyer area, flexibility of the space, and access to points of sale. New breakout rooms could be formed through use of movable partitions	Medium
Improve secondary Purbeck entrance	Low
Windsor Hall screening	Low
Automatic entrance doors (front entrance)	Low
Improved internal link from the car park to the foyer	Low
Box office reduction within foyer	Low

13. The table below illustrates the order in which IPW believe the proposed projects should be undertaken, based upon the ability for it to maintain (or improve) BIC's attractiveness and market positioning as a top conference centre. The following interventions were not part of the business planning undertaken in May 2019, however we would expect them, combined with the other interventions to have a positive operational and revenue impact:

- Digital enhancements
- Windsor hall screening
- Purbeck vertical extensions
- Purbeck entrance

**Table 3**

Priority Order	Project	Cost (rounded)	Works Timescale	Lifespan
1	Bayview Suite Extension	£350,000	8 weeks	25
2	Internal Remodelling	£790,000	16 weeks	25
3	Small Breakout Rooms	£205,000	10 weeks	25
4	Solent Hall Partitioning	£665,000	10 weeks	25
5	Purbeck Lounge Extension	£260,000	13 weeks	25
6	Bourne Lounge	£187,500	10 weeks	25
7	Purbeck Vertical Extension	£1,040,000	21 weeks	
8	Café Enhancement	£352,500	16 weeks	25
9	Digital Infrastructure	£170,000	3 weeks	15
10	Automatic Entrance Doors	£40,000	4 weeks	20
11	Improved Internal Link to Foyer	£62,500	12 weeks	25
12	Box Office Reduction	£27,500	4 weeks	25
13	Windsor Hall Screening	£235,000	6 weeks	25
14	Purbeck Entrance	£280,000	14 weeks	25
	<b>Total</b>	<b>£4,665,000</b>		

See Appendix 1 for Project Descriptions and Layouts. The operational implications of undertaking each of the individual investment projects will be agreed with BH Live and programmed accordingly.

The specific project priorities, costs and timeframes are indicative and subject to change pending further detailed project development, surveys and assessments. Delegation to the Corporate Director and Portfolio Holder for Destination & Culture is therefore recommended to approve the final specification and phasing of the programme.

14. Ideally the sooner any of the projects proposed can be undertaken the better. However, it is important for the works to align with the existing BIC event diary, to limit operational disruption. IPW have grouped projects into an ideal timeframe, according to business need. The grouped cost of the projects, by timeframes is detailed in Table 4, below.

**Table 4**

<b>Timeframe</b>	<b>Grouped Costs</b>
Year 1	£1,832,500
Years 2 - 3	£1,512,500
Years 4 - 5	£895,000 – £1,320,000

### **Summary of financial implications**

15. The Council has approved £170k resource to explore the feasibility of long-term sustainable options for the BIC. This will result in longer term strategic options for the Council to consider. In the meantime, the Council acknowledges the need for short term (5 year) programme of work, to ensure the BIC remains a competitive international conference and events venue.
16. The Council estimates £4.7m of investment is required over the next 5 years. This is based on the higher estimate (Option 2) of proposed Purbeck Vertical Extension works (£1m as opposed to £0.6m).
17. It also includes £0.65m of proposed works that are perceived to have 'low' value to external conference organisers but are still desirable because of potential operational benefits (for example Windsor Hall Screening, Box Office Reduction). The table below summarises proposed spend by perceived external value to external conference organisers (as assessed by IPW), with full itemised breakdown provided in Appendix 2:

**Table 5**

	<b>£000</b>
Investment with 'Low' external value	645
Investment with 'Medium' external value	353
Investment with 'Medium to High' external value	960
Investment with 'High' external value	2,708
<b>Capital Investment Proposed</b>	<b>4,665</b>

18. The planned work is expected to complement longer-term redevelopment options. Only 'year 1' spend of up to £1.8m will be committed in advance of findings of the BIC long-term development options study. The Prudential Code for Capital Finance stipulates that a Council can undertake prudential borrowing:
- to finance capital expenditure
  - where it is supported by a robust business case that demonstrates that both the borrowing capital and associated interest repayments can be funded over the life of the asset
19. The planned work falls within the Council's 'Invest to Save' framework. According to the framework the proposed investment is classified as a 'medium risk' investment. This is because, whilst the Council has prior experience of delivering the proposed service / capital asset, there is no clear link to resulting savings / income protection.
- For this reason, an interest rate of 5.5% has been used (over 25 years) to reflect a 'risk-based' assessment of the cost of borrowing for this investment. Borrowing repayments commence the year after borrowing is undertaken.
20. Full details of financial implications of borrowing £4.7m over 25 years at 5.5% are provided in Appendix 2, with a summary within table 6 below. Financial Services are satisfied there is sufficient resource within the revenue budgets from which this new borrowing commitment can be met (utilising revenue budget allocated to historic BH Live borrowing that is coming to an end). The costs of £4.7m borrowing are projected to be £129k in 2021/22 and £183k in 2022/23 (period of Medium Term Financial Plan (MTFP)), increasing to £330k per annum from 2025/26 to 2049/50.

**Table 6**

	MTFP			2023/24	2024/25	2025/26	2026/27 - 2049-50	Total
	2020/21	2021/22	2022/23					
	1	2	3					
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Capital Investment</b>	1,833	756	756	660	660	0	0	<b>4,665</b>
<b>Impact on Revenue Budget</b>								
Total Principal Repaid	0	73	104	134	160	187	4,008	<b>4,665</b>
Total Interest Repaid @ 5.5%	0	56	79	103	123	143	3,072	<b>3,576</b>
<b>Total repayment (principal &amp; interest)</b>	<b>0</b>	<b>129</b>	<b>183</b>	<b>236</b>	<b>283</b>	<b>330</b>	<b>7,080</b>	<b>8,241</b>

21. Members are reminded that, in 2015/16, the Council also approved a £4m BH Live Repairs & Maintenance programme – a rolling 4-year (£1m per annum) programme of repairs & maintenance works across all BH Live locations (i.e. not restricted to BIC) for 2016/17 to 2019/20. The £4m repairs and maintenance programme is also funded by Prudential Borrowing, with annual repayments already factored into the MTFP, but is now in its last year. Approval to utilise part of the remaining £9m ‘prudential borrowing’ resource approved by Council in July 2019 (i.e. £9m less £4.7m earmarked for the works above) to fund future building maintenance obligations (beyond 2019/20) will be sought in a separate report to Members.
22. Should the long-term plans for the BIC render any of the works undertaken in this proposal redundant, then the residual value of any works would need to be written off. Any costs of writing off would need to be factored into the business case for the long-term plan of the BIC.
23. For information, BH Live pays BCP Council a service fee, which is currently in the region of £1.7m per annum, for the benefit of operating its 5 BCP sites.
24. VAT implications of the planned investment have been fully considered and understood.

### **Summary of legal implications**

25. The Council has existing obligations under the agreements it has with BH Live in respect of maintenance, repair and investment contributions for the BIC and other BH Live operated sites. These will be set out when they are relevant in future reports, and legal advice should be sought on any proposals to ensure that the legal agreements are amended or updated appropriately.

### **Summary of human resources implications**

26. The work will be carried out using existing BCP Council resources.

### **Summary of environmental impact**

27. An environmental impact assessment will be carried out prior to any work being undertaken.

### **Summary of public health implications**

28. None

### **Summary of equality implications**

29. BH Live and BCP Council will work together with local access groups to ensure the accessibility of the venue prior to any work being undertaken.

### **Summary of risk assessment**

30. None

### **Background papers**

31. Cabinet report of July 2019 link to Cabinet Meeting and papers below:

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=3720&Ver=4>

### **Appendices**

Appendix 1 – BIC Redevelopment Project Descriptions and Layouts

Appendix 2 – Itemised breakdown of borrowing