
Report to
Cabinet

27 June 2006

Report of
Director of Finance and ICT and Director of City Development

Title
Arena Construction Completion Report

1 Purpose of the Report

- 1.1 The Ricoh Arena achieved practical completion on 19 August 2005. The purpose of this report is to update Members with details of:
- The aims and achievements of the Ricoh Arena project
 - The forecast construction cost outturn position
 - The wider benefits that have accrued as a result of the Arena development

2 Recommendations

Cabinet is recommended to:

- 2.1 Note the regeneration and other benefits already achieved by the Ricoh Arena project
- 2.2 Consider the variations in the costs of delivering the project
- 2.3 Approve the funding of the forecast net overspend of £2.9m, against the approved budget of £113.3m, from the Council's reserves (£2.8m of this overspend has been included in the 2005/06 capital outturn report). This report includes net forecasted spend in future years whereas the capital outturn report only shows spend up until 31 March 2006
- 2.4 Note the long-term financial benefits of the City Council's investment in the project

3 Information/Background

- 3.1 In October 2003, the City Council approved the Coventry Arena project. The main aim of the project was to regenerate a derelict former gas works site to provide a modern multi-use Arena providing both employment and leisure opportunities for the residents of the city.
- 3.2 In order to facilitate the delivery of the project, the Council put in place the following company structure:

North Coventry Holdings Limited

The purpose of this company is to hold shares in Coventry North Regeneration Limited and Arena Coventry Limited. This company is 100% owned by Coventry City Council.

Coventry North Regeneration Limited

This is the development company set-up by the Council to construct the Ricoh Arena. This company is 100% owned by North Coventry Holdings Limited.

Arena Coventry Limited

The purpose of this company is to manage the operations of the Ricoh Arena. This company is 50% owned by North Coventry Holdings Limited and 50% owned by the Alan Edward Higgs Charity.

Arena Coventry (2006) Limited

This company was set-up to hold the head lease for the Ricoh Arena. This company is 100% owned by Arena Coventry Limited.

This structure is shown in diagrammatic form in Appendix 2. These structures show the position after the receipt of the £21m lease premium from Arena Coventry Limited (ACL) (see paragraph. 5.1 note 9).

- 3.3 The October 2003 report stated that, in addition to the benefits arising from the project, there were risks due to the complexity and scale of the project. It was identified that there was the risk of an overspend on the project. Council officers put processes in place to ensure that any overspend was minimised without compromising the integrity or commercial attractiveness of the building.
- 3.4 The Council set-up a Cabinet Advisory Panel and a Strategic Officer Group to oversee the management of the project. These groups received regular reports from officers and the Coventry North Regeneration Limited (CNR - the Council's 100% owned company responsible for constructing the Arena) Board. The CNR Board met monthly, during the construction phase of the project, and received reports from Drivers Jonas. Drivers Jonas were engaged by CNR to lead the project management of Arena due to their extensive experience of managing projects of a similar scale and complexity.
- 3.5 The progress of the Ricoh Arena project has been reported to Members (Council and Cabinet) on a number of occasions. Three of these reports have been through the Scrutiny process including the most recent report (Ricoch Arena: Operation of the Ricoh Arena; Ricoh Arena Funding; Hotel Development.) which was considered by the Scrutiny Co-ordination Committee on the 22 March 2006. In addition, Scrutiny Board 3, in particular, have been kept apprised of progress via briefing notes and site visits.
- 3.6 This report identifies a forecast overspend for the project of £2.9m compared to the original budget set in October 2003 of £113.3m. This represents a variance of 2.6% against the original budget. A detailed financial analysis of reasons for this overspend can be found in section 5.

- 3.7 The risk register in the October 2003 report included the risk of failing to manage the construction contract to time/cost. This risk always had a high probability of materialising and has materialised in this instance. Limiting the forecast overspend to about 2.6%, of the total project cost, is a significant achievement in light of the scale and complexity of the project.

The October 2003 report notes that an overall contingency of £1.6m was at the time achievable, but that due to the scale of the project a contingency of between 10-15% (£6m - £9m) would be typical for the construction phase of a project such as the Arena.

- 3.8 HM Treasury commissioned a review of the size of cost and time overruns on previously procured public sector projects in 2002. This work formed the basis of the revised Green Book guidance on option appraisals published by HM Treasury in 2004. This guidance is recommended as best practice for use in all Central and Local Government option appraisals. Based on the Green Book analysis, capital costs for the Arena Project would be at risk of being 24% higher than the original budget at outturn position and the work would be at risk of having taken 4% longer than originally anticipated. In fact, the forecast capital overspend of 2.6% is well below the 24% risk figure. In addition, the Arena was only delivered 19 days late, representing a delay of less than 3%.

4 Aims and achievements of the project

- 4.1 Members will recall that this area of c75 acres was the remnants of a derelict gas works and a gas pumping and storage station, which was redundant and derelict and had created blight on the surrounding area for the past 30 years.

Many schemes had been proposed for the redevelopment of the site over that period but none had materialised because of the scale of investment needed.

In aiming for the physical and social regeneration of the area the Council set out to achieve the key regeneration benefits that promote and improve:

- ☐ The economic well-being of the area
- ☐ The social well-being of the area
- ☐ The environmental well being of the area

4.2 Economic Well-being

Regeneration: The Council shared the same regeneration priorities as its stakeholders such as Advantage West Midlands and Government Office for the West Midlands. By doing so the Council attracted close to £10m of external grant funding for the project.

Job Creation: It was anticipated that 2,900 jobs would be created within this deprived area from the completed development of the Ricoh Arena and Arena Park. The overall development has been operating for between 9 and 12 months and approximately 2,400 new jobs (in original estimate terms) have been created, this should increase by a further 300 once the casino jobs are filled, to give a total of approximately 2,700. In addition there are approximately 14 acres of land yet to be developed.

Most importantly, it should be noted that the Council's direct interventions have resulted in better quality jobs than originally intended. Tesco had intended to create 750 mostly part time (16 hour per week) jobs, but have actually created 550 jobs up to 30 hours per week. This means that the staff are likely to have a more permanent relationship with the company and more secure incomes. A similar pattern has been observed with the jobs created within the Arena itself.

Based on the data collected by the Council for those companies which we have had direct involvement with during the recruitment process (excluding management jobs and some of the smaller retailers), the following information demonstrates that a high percentage of Arena employees are resident in Coventry and priority neighbourhoods.

| % breakdown of location¹ | % of Arena employees |
|---|-----------------------------|
| Coventry Residents | 80% |
| Priority Neighbourhoods | 68% |
| Surrounding Areas (Warwickshire and Leicestershire) | 20% |

An original aim of the project was to obtain a regional casino licence, however this bid has recently been rejected. As part of the bid, Isle of Capri (IOC) had offered to fund additional infrastructure works at the site.

Financial Leverage: The Council's initial investment of £10m has been matched by £9.2m of other external public funding (comprising ERDF funding of £4.4m and AWM funding of £4.8m) and overall has attracted another £230m of investment making a total of £250m on the old gas works site as a whole. There is significant potential to increase this figure through other developments and changes to infrastructure within the area.

4.3 Social Well-Being

A key aim of the development was to provide a wide range of opportunities and solutions to tackle the high levels of deprivation and poverty within the area with the potential to increase wealth, health and quality of life, by removing a blighted landscape, increasing the number of jobs available, provide better transport facilities and provide a major district centre in the north of the city.

These aims have been achieved with the remediation of the site, new highways infrastructure, bus routes, green travel plan, residents' car parking schemes, the significant number of new jobs and the provision of Arena Park with its Tesco Extra, Marks and Spencer, Boots, Next, Borders/Starbucks and a further 12 smaller units including food outlets.

It was important that the community felt a belonging to the overall development and this has been achieved by the unique provision of a library facility within Tesco Extra, the provision for local schools to play football finals at the Ricoh Arena, the provision of a superb Health and Leisure facility which operates the passport to leisure scheme, the relocation of the

¹ This data represents operative jobs (not management jobs) in the following companies: Tesco, Borders, Next, Marks and Spencer, Pizza Hut, Boots, Starbucks, Burger King, Goldcrest Cleaning, Goldrange, Cafe History, Arena Property Mgt, Arena Coventry Ltd, Avenance, and All Leisure.

Education Partnership Centre with new facilities and new multi purpose community use facilities. As part of the overall process, a community group was formed which held regular monthly meetings to discuss issues and keep the community informed on progress. This group continues to meet with officers as part of Arena Coventry Limited's monitoring group.

An important aspect was the relocation of Coventry City Football Club from Highfield Road, an urbanised residential area, which suffered from the normal social issues associated with football matches such as noise, litter and car parking. A residents' parking protection scheme (the biggest in the country) has been successfully implemented working closely with local community representatives. Clearly the Arena is working through some of the parking issues related to events such as the recent first rock concert.

4.4 Environmental Well-being

Remediation: This brownfield site contained derelict gasholders and was severely contaminated with heavy metals and toxins associated with a gas works site. As part of the development the whole of the site was decontaminated before building works commenced.

Improved Infrastructure: The scheme has provided for improved highway works to the A444 with adjacent works to side roads, new bus routes and better linkages in terms of footpaths, canal footpaths and cycle ways. The refusal by the Strategic Rail Authority to allow a rail station was a set back, however discussions continue and officers are continuing to promote a rail station at the Ricoh Arena.

High Quality Development: It was intended that the Ricoh Arena should be of a high quality. The facilities of the conference, banqueting and exhibition space won the best exhibition and conference centre in the UK after only being open for 6 months.

The "image effect": This was an aim that was recognised as being difficult to measure, however with the Ricoh Arena being synonymous with quality and achievement, it has been shown to our key public stakeholders and to the nation's commercial sector that Coventry can and continues to achieve at the highest level.

5 Financial outturn

The overall forecast outturn at £118.7 shows an increased cost of £5.4m compared to the original budget set in October 2003 of £113.3m. Increases in external funding and income have resulted in a net overspend of £2.9m. It is anticipated that this additional cost will be met from general reserves. However, there is scope to reduce this overspend further through the receipt that will be generated from sale of residual land (see paragraph 5.2.2) Other financial benefits to be secured as a consequence of the project are set out in Section 6 below.

Details of the original budget reported in the October 2003 report and the forecast cost outturn are shown in Appendix 1. The principal variances are set-out in the table below and in the narrative in section 5.1:

| Arena Cost Forecast at 31 March 2006 | | | | |
|--|------------------------|-------------------------|--------------------------|-------------|
| | Original budget | Forecast outturn | Forecast variance | Note |
| | £m | £m | £m | |
| EXPENDITURE | | | | |
| Main contract and contingency | 54.3 | 57 | 2.7 | 1 |
| Other construction costs and insurance | 0 | 0.9 | 0.9 | 2 |
| Fit-out (managed by ACL) | 4.4 | 7 | 2.6 | 3 |
| Railway station/archways | 2 | 0.9 | (1.1) | 4 |
| Rent abatement | 0 | 0.4 | 0.4 | 5 |
| Other costs | 52.6 | 52.5 | (0.1) | 6 |
| Total expenditure | 113.3 | 118.7 | 5.4 | |
| Less INCOME | | | | |
| Council equity investment | 10 | 10 | 0 | |
| Tesco land sale receipt | 59.5 | 59.4 | 0.1 | |
| Interest and other income | 8.3 | 9.6 | (1.3) | 7 |
| Hotel premium | 0 | 0.5 | (0.5) | 8 |
| Residual land | 5 | 5 | 0 | |
| Prudential Borrowing | 21 | 21 | 0 | 9 |
| ERDF | 4.7 | 4.4 | 0.3 | 10 |
| Additional ACL funding for fit out costs – Yorkshire Bank loan | 0 | 1.1 | (1.1) | 11 |
| AWM | 4.8 | 4.8 | 0 | |
| Total income | 113.3 | 115.8 | (2.5) | |
| TOTAL forecast variance/overspend | | | 2.9 | |

5.1 Explanatory notes detailing explanations for the principal variances

1. Main contract and contingency (£2.7m)

This variance relates to additional costs incurred on the Laing O'Rourke (LOR) contract. This includes £2m paid to accelerate the practical completion date of the Arena explained in detail and approved at the Cabinet meeting on the 7 June 2005, to enable the facility to open on the 19 August 2006.

The final LOR contract value is £57.5m, less IOC variations and reimbursements for contamination gives a net total of £57m. This includes a reduction of £0.15m negotiated by the Council for the delay to the completion of certain parts of the Arena.

Control of main contract expenditure

A key element of the "tightly controlled" management of expenditure was achieved by allowing only three parties to request variations to the main contract and that CNR would have the final approval. These three parties were CNR, Arena Coventry Limited (ACL – the company responsible for operating the Arena) and Isle of Capri (IOC – the Casino Operator). A documented process was arranged so that all parties including the main contractor had to "sign up to" the approval process with a transparent understanding of costs. The process ensured that those parties requesting variations were responsible for payment. It was made clear to all parties that any such variation would need to prove its importance to the development. Drivers Jonas (project managers) managed this process.

2. Other construction costs and insurance (£0.9m)

Cost variations were required to elements of the works. to enable the facility to fully reach its commercial potential, including IT upgrade to the exhibition halls. This variance comprises these variations and construction insurance costs (£0.6m) that were not sufficiently provided for in the original budget.

3. Fit – Out (managed by ACL) (£2.6m)

The original budget for fit out was established at £4.4m in October 2003. During the latter parts of completion, it became apparent that some costs omitted from the construction contract in order to bring the overall project within budget, were essential to the provision of the full range of intended commercial activities and therefore had to be picked up within the fit out budget. The final cost of fit out is now forecast at £7m, an overspend of £2.6m. Key elements of the additional spend include the scoreboard (£250k), telephone system (£150k) and the £800k leisure centre fit out costs (as approved at Cabinet on 7 June 2005).

The division of responsibilities for the fit out, between ACL and CNR as the commercial operator and construction company respectively, has been the subject of some debate between the parties and officers have agreed to share the additional costs, with ACL providing £1.1m through additional support from Yorkshire Bank and the Council bearing the balance of £1.5m.

Given the uncertainties of the overall funding package for the Arena, including the final construction costs and the inclusion of future value of land yet to be disposed of, it has not been possible to determine until now whether there would be sufficient funds in the overall budget to bear this additional cost. This report now seeks retrospective approvals for these costs as part of the overall funding package and scheme overspend of £2.9m.

4. Railway station/archways (-£1.1m)

Following the Strategic Rail Authority's (SRA) decision not to grant permission for a railway station on the site, these works were excluded. The exclusion of these works has meant that the budget allocated for the railway station was not utilised. These funds have been allocated to other parts of the scheme including the construction of the railway arches (see below). However, the Council is still committed to securing a railway station as part of the Arena development and will be resubmitting its business case to the SRA. Should a railway station be built in the future, the Council would need to find the required funding.

The Council are proceeding with work to the archways, which are an essential part of any future railway station. This project involves the construction of two new access/egress routes using existing archways under the Coventry/Nuneaton railway line, between the Ricoh Arena and Arena Park. These new routes would also provide the pedestrian linkage between platforms for a new rail station subject to HM Railways Inspectorate approval. The estimated costs for work to the archways are £0.9m and are subject to change given that the extent of ground contamination will not be known until the work has commenced on site and the outcome of Network Rail's approval process is known. This may cause delay and increased cost to the project. The quantum of potential increased cost is difficult to quantify at this stage since much of this is due to the extent that contamination is an issue. This cannot be assessed until works have progressed.

Members are asked to note that officers have varied the contract with Tony Gee and Partners (Rail engineers/architects) for an additional £15k above the agreed contract price for additional work to assist the Council's negotiations with Network Rail. It is currently anticipated that this cost can be absorbed within the current budget as a result of negotiations aiming to reduce the overall contract price.

Regrettably, the project has had to forego a proportion (£0.3m) of the ERDF funding originally allocated to the project as a contribution towards the railway station construction costs, due to the Strategic Rail Authority/Department for Transport's 'turn around' regarding the railway station (see note 10 below).

5. Rent abatement (£0.4m)

As a result of the commercial consequences to the ACL business plan of the delay to the full completion of certain parts of the Arena, CNR granted a rent abatement period between 19 August 2005 and 31 January 2006 to ACL (approved by the Council on 17 January 2006). This resulted in a direct cost to the Council that could not have been envisaged and budgeted for in the October 2003 report. This cost has been partly reduced by the £150k reduction in LOR main contract costs that was negotiated (included in the main contract outturn - see note 1 above).

6. Other costs (-£0.1m)

These costs comprise land acquisition costs, decontamination and infrastructure, site profiling, fees, joint venture operating costs and interest payable (during the construction period). This variance represents the net savings made on interest payable, fees and joint venture costs.

7. Interest and other income (£1.3m)

The proceeds from sale of part of the (old) gasworks site to Tesco accrued interest prior to being used to fund the build costs. The actual interest exceeded the estimate in the original budget. This heading also includes section 106 receipts, contributions from IOC (£5.9m) for the 'casino box' (the core and shell construction of the casino), variations (funded by ACL and IOC) and the corporate interest budget.

8. Hotel premium (£0.5m)

As reported to Cabinet on 4th April 2006, there is likely to be a net gain of £0.5m from the hotel arrangements that involve the sale of land to a developer who will construct two hotels on the site. This represents the difference between the amount payable to ACL for the surrender of their 50 year leasehold interest in the sites (including Stamp Duty Land Tax) and the gross receipt likely to be obtained from the hotel developer for a 125 year lease for the sites.

9. Prudential Borrowing (£0m)

This amount has been secured from Arena Coventry Limited through the payment of their lease premium. The lease premium is being funded by ACL by a loan from the Yorkshire Bank.

10. ERDF (-£0.3m)

The reduction in the level of ERDF grant allocated to the scheme is as a result of the removal of elements associated with the construction of the railway station as these were time limited. This takes account of the ERDF funding of £0.25m, which has been formally approved to contribute towards the archways access, which will form part of the railway station when it is built. A revised business case will be submitted to prove the case for the station.

11. Additional ACL funding (£1.1m)

Additional funding made available to ACL from Yorkshire Bank and other sources to part fund the additional fit out costs that ACL deemed were of commercial value to the company and chose to fund in order to deliver enhanced benefits to the scheme.

5.2 Other financial issues

The following issues are yet to be resolved and may impact on the forecast position reported above.

5.2.1 Lease and Company Structures

As reported to Cabinet on 4 April 2006, the Council, CNR and ACL have worked with their respective advisors to ensure that the most tax efficient position is achieved in accordance with the implementation decisions approved in the October 2003 report.

This revised lease and company structure, to achieve this position, has been put in place (see Appendix 2). ACL drew down their Yorkshire Bank loan and exercised their right to repay the £21m premium (as noted above in 5.1 Para. 9) on the 2 June 2006. There is a residual risk that Her Majesty's Revenue and Customs may review elements of the lease and company structure, but advice from the respective advisors indicates that the revised structures will achieve their objective.

5.2.2 Sale of residual land

There is an additional plot of land, adjacent to the Ricoh Arena site, owned by the Council. Sale of this land is budgeted to yield a capital receipt of £5m. The sale of the land has been delayed in order to secure the best possible price following the completion of the Arena.

5.2.3 ERDF

The total grant allocation of £4.4m, of which £3.3m has been paid to date, includes an allocation of £0.25m for the railway arches.. In addition, £0.83m grant remains to be claimed and audited for the year ended 31 March 2006. A further £0.24m will be claimed and subsequently audited for the year ended 31 March 2007. As noted above in 5.1 (notes 4 and 10) the actual ERDF grant claimable is £0.3m lower than originally budgeted.

6 Wider benefits that have accrued as a result of the project

There are a number of financial benefits that have not been quantified within the overall cost outturn.

6.1 Value of the Council's investment in ACL

The Council have a 50% share in ACL. ACL had the option to pay £1.9m rent per annum or a £21m premium. ACL have paid rent of £600k to CNR since the 1 February 2006.

ACL exercised their right to pay the £21m premium on the 2 June 2006 therefore CNR/CCC will be entitled to receive "super rent" in the future. This is payable when net profits before tax are greater than £3.75m. The percentage of profits due to CNR/CCC above this threshold starts at 10% and increases to 50% in a series of bands.

6.2 Value of the Arena

The Council's freehold interest in the Arena, i.e. the market value that could be obtained from the sale of the freehold with the existing ACL lease in place, has been independently valued by Lambert Smith Hampton. The market valuation of the interest as at 31 March 2006 is £0.6m. The valuation report states that the value of the Council's freehold interest in 48 years time, at the expiration of the ACL lease, will be "substantial".

6.3 Value of Council land in the vicinity

The regeneration benefits of the Arena development are likely to have a positive impact on the Council's other landholdings in the vicinity although no formal valuations have been carried out to determine the extent of this impact. This impact is likely to further increase if additional investment from the Casino and hotel developments are successfully incorporated into the area.

6.4 Local Authority Business Growth Incentive scheme (LABGI)

From 2005/06, the City Council has been eligible for payments from the Government under the LABGI scheme. Under the scheme, local authorities receive an amount each year that is calculated as a proportion of the increase in business rates received during the year.

The Council has secured £1m of LABGI monies in 2005/06, £0.8m of which is due to the Arena project. It is projected that the 2006/07 LABGI monies will be in excess of the 2005/06 amount due to the health and fitness club, Ricoh offices, community space and the casino whose rateable values were not included in 2005\06 (as these elements of the Arena were not completed until 2006/07). It is likely that the Arena development will continue to contribute towards the LABGI monies received by the Council in the medium term as the rateable value of the development increases. The LABGI money contributes to corporate reserves, from which the additional costs of the Arena will be met.

There are also a number of non-financial benefits that have accrued as a direct result of the arena development.

6.5 ACL business plan developments

The Ricoh Arena has generated huge regeneration benefits to the north of the City. ACL's business case has met its original objectives and exceeded them in areas such as sponsorship. Within the Arena development there are the following finished and nearly completed facilities:

- ❑ 40,000 outdoor concert facility – which recently hosted Bon Jovi and will host the Red Hot Chilli Peppers' concert to follow later this summer, which Coventry could not have done prior to the construction of this facility
- ❑ 10,000 indoor concert facility – hosted Bryan Adams concert to an audience of 7,000
- ❑ 32,500 football facility, home to Coventry City Football Club – average attendances have jumped from c13,000 at Highfield Road to c23,000 at the Ricoh Arena
- ❑ Local and school football finals have been held
- ❑ In late June the "community multi use facility" and transferred Education Partnership Centre will open
- ❑ Coventry Sports Trust has opened their top of the range health and leisure facility operating passport to leisure and educational health/fitness programmes for children (with 1,000 memberships already in place) – this includes a children's facility
- ❑ Capacity for 1,000 seat banqueting facility in a single suite
- ❑ Total of 2,300 seat banqueting facility across all of the suites available
- ❑ A broad range of conference venues with high quality IT facilities
- ❑ A dividable 6,000m² exhibition hall/s
- ❑ Tourist information facility
- ❑ Bistro
- ❑ Hotel with 62 bedrooms, including 17 boutique apartments and 3 main suites plus 42 pitch facing rooms, which is already reaching its projected occupancy target at this stage with the hotel operator confident it will exceed the forecasted occupancy levels as set out in the business case
- ❑ Proposals for two further hotel developments on the site c90 bed 2 star facility and c130 bed 3 star facility
- ❑ Office development – Yorkshire Bank (Corporate banking facility) Ricoh office – to be opened in June, ACL office, Compass office.
- ❑ Isle of Capri casino – scheduled to be complete December 2006

- ❑ Green Travel plan
- ❑ Successful residents car parking scheme

In terms of conferencing and exhibitions the Ricoh Arena won the best conference and exhibition venue of 2006 at Confex (leading exhibition for the events industry) after only 6 months of opening.

Since the Ricoh Arena opened in August 2005, the venue will have attracted c750,000 visitors. In terms of conferences, banquets and exhibitions the venue has attracted businesses predominantly from the West and East Midlands but also from all other main regions of the country. Overall the Ricoh Arena has now hosted 700 events of which there have been over 100 large events (100 – 999 persons) and 3 extra large (exceeding 10,000 persons). These events have represented a broad range of the commercial and business sector including: technology, transportation, electronics, engineering, automotive, financial services, food and beverage, advertising, law/legal, education, bank and finance, print and publishing, sport and government.

6.6 Community benefits

The Arena development has provided a high quality shopping development that has dramatically enhanced the facilities available in the area. The community facilities, Longford Library and the new health and leisure facilities have given local people access to high quality community and leisure amenities not previously available.

7 Other specific implications

| | Implications (See below) | No Implications |
|---|-------------------------------------|----------------------------|
| Neighbourhood Management | ✓ | |
| Best Value | | ✓ |
| Children and Young People | ✓ | |
| Comparable Benchmark Data | | ✓ |
| Corporate Parenting | | ✓ |
| Coventry Community Plan | | ✓ |
| Crime and Disorder | | ✓ |
| Equal Opportunities | | ✓ |
| Finance | ✓ | |
| Health and Safety | | ✓ |
| Human Resources | | ✓ |
| Human Rights Act | | ✓ |
| Impact on Partner Organisations | | ✓ |
| Information and Communications Technology | | ✓ |

| | Implications (See below) | No Implications |
|---|-------------------------------------|----------------------------|
| Legal Implications | | ✓ |
| Property Implications | | ✓ |
| Race Equality Scheme | | ✓ |
| Risk Management | ✓ | |
| Sustainable Development | | ✓ |
| Trade Union Consultation | | ✓ |
| Voluntary Sector – The Coventry Compact | | ✓ |

7.1 Neighbourhood Management

The project has provided extensive benefits to the local community including a library, community facilities, leisure facilities and jobs.

7.2 Children and Young People

A relocated and improved Partnership Centre has been created as part of the project. The overall development has provided improved job opportunities in the area.

7.3 Finance

Details of the financial implications are included in section 5 of the report.

7.4 Risk Management

There are a number of risks arising to the Council from its continued involvement in the Arena project.

There are risks associated with the construction of the railway arches, which are the only significant planned item of work to be completed as part of the project. The risks associated with this part of the project are detailed in section 5.1 paragraph 4 of this report.

Section 5.2 of the report details the financial issues which have to be resolved as part of the process of completing the project.

8. Monitoring

The operation of the Arena will continue to be monitored to ensure that it continues to achieve the Council's aims of the project.

| | Yes | No |
|---|-----|----|
| Key Decision | | ✓ |
| Scrutiny Consideration (if yes, which Scrutiny meeting and date) | | ✓ |
| Council Consideration (if yes, date of Council meeting) | | ✓ |

List of background papers

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Papers open to Public Inspection

Description of paper

Location

Council Report (11 April 2006)
Ricoh Arena (operation of the Ricoh Arena, Ricoh Arena Funding, hotel developments)
Council Report (17 January 2006)
Ricoh Arena Development
Council Report (21 June 2005)
Ricoh Arena – Construction Contract
Cabinet Report (7 June 2005)
Ricoh Arena development on the Sidings site
Operation of the Community Health and Fitness Centre
Provision of access through railway arches at the Arena site
Council Report (16 October 2003)
Regeneration of North Coventry – Arena Coventry



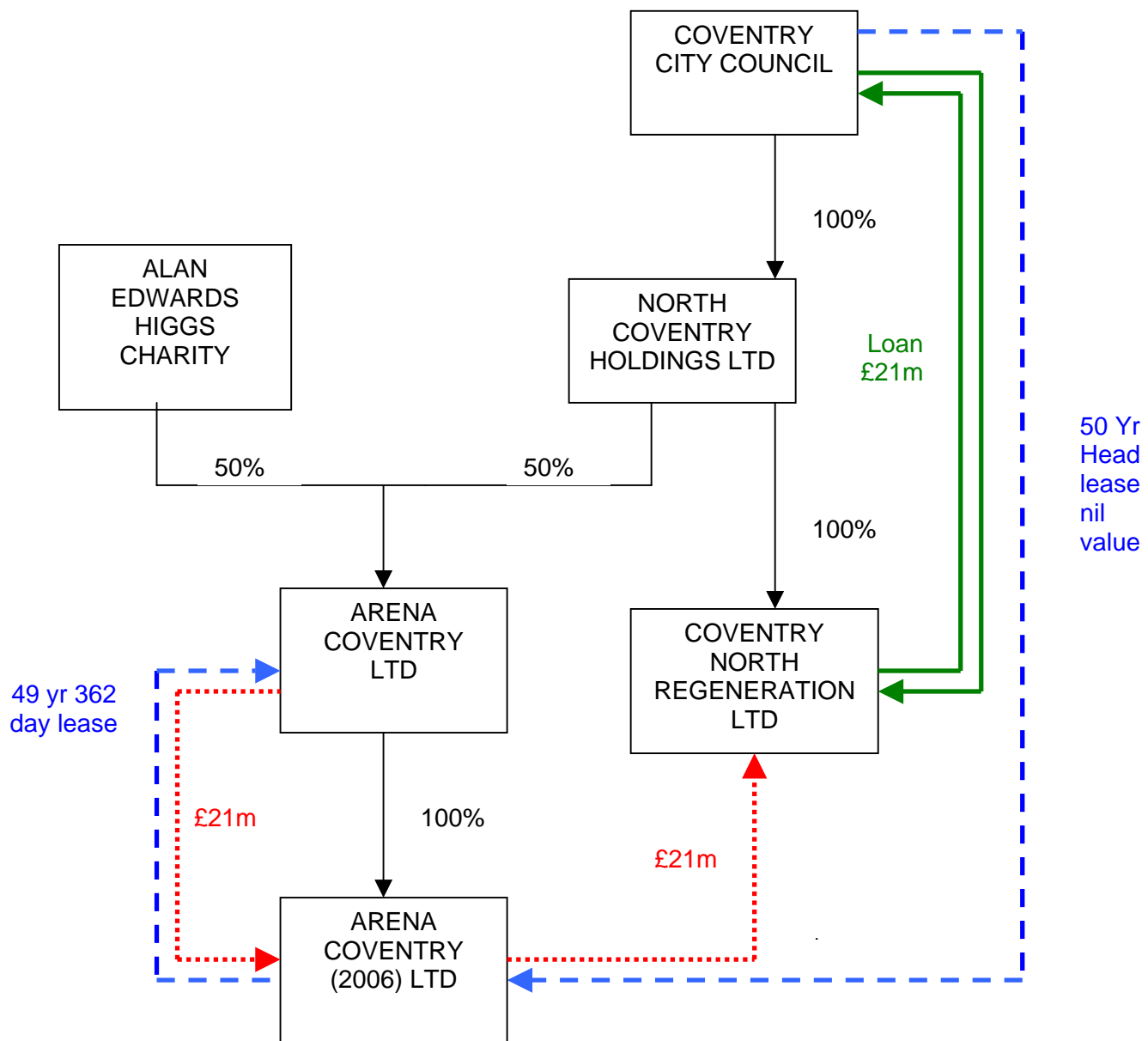
Forecast construction outturn report

Appendix 1

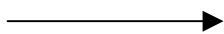
| Appendix 1: Forecast construction outturn report | Budget per October 2003 Council Report £'000 | Revised forecast 31/3/06 £'000 | Variance £'000 | Note (5.1 of report) |
|---|---|--------------------------------------|-------------------|-------------------------|
| Land | | | | |
| Land acquisition | 24,100 | 24,099 | -1 | 6 |
| Decomination and infrastructure (expenditure in kind) | 17,000 | 17,000 | 0 | 6 |
| Site Profiling | 1,700 | 1,975 | 275 | 6 |
| Total Land Related | 42,800 | 43,074 | 274 | |
| Construction costs | | | | |
| Main Contract (includes repayment of IOC tenant variations and contamination reimbursement) | 52,700 | 57,546 | 4,846 | 1 |
| Repayment of IOC tenant variations and contamination reimbursement | 0 | -575 | -575 | 1 |
| Other construction costs (includes ACL variations) | 0 | 412 | 412 | 2 |
| Construction Insurance | 0 | 564 | 564 | 2 |
| Contingency | 1,600 | 0 | -1,600 | 1 |
| Fit-out - ACL | 4,400 | 7,000 | 2,600 | 3 |
| Railway Station/archways | 2,000 | 875 | -1,125 | 4 |
| Total Construction | 60,700 | 65,822 | 5,122 | |
| Total Land and Construction | 103,500 | 108,896 | 5,396 | |
| Fees | 4,500 | 4,360 | -140 | 6 |
| Interest payable | 700 | 541 | -159 | 6 |
| JV Costs - payments to ACL | 4,600 | 4,474 | -126 | 6 |
| Rent abatement (cost to council) | 0 | 406 | 406 | 5 |
| Total Other | 9,800 | 9,781 | -19 | |
| Grand Total | 113,300 | 118,677 | 5,377 | |
| Funding | | | | |
| Council equity investment | 10,000 | 10,000 | 0 | |
| Sale of land (Tesco - cash) | 42,500 | 42,420 | -80 | |
| Sale of land (Tesco - contribution in kind) | 17,000 | 17,000 | 0 | |
| Interest earned | 600 | 985 | 385 | 7 |
| Hotel premium | 0 | 470 | 470 | 8 |
| Residual land (estimated value) | 5,000 | 5,000 | 0 | |
| Prudential borrowing | 21,000 | 21,000 | 0 | |
| Surplus on rent paid (in addition to £21m) | 0 | 248 | 248 | 7 |
| ERDF | 4,700 | 4,374 | -326 | 9 |
| Section 106 | 0 | 64 | 64 | 7 |
| AWM direct payments for land | 4,800 | 4,800 | 0 | |
| Isle of Capri (primary build costs) - retained by ACL | 5,700 | 5,900 | 200 | 7 |
| CCFC - direct payment to ACL | 2,000 | 1,758 | -242 | 7 |
| Net corporate interest budgets (less £337k principal) | 0 | 610 | 610 | 7 |
| Additional ACL borrowing - Yorkshire Bank | | 1,100 | 1,100 | 10 |
| Total funding | 113,300 | 115,729 | 2,429 | |
| Surplus/(deficit): | 0 | -2,947 | -2,947 | |

APPENDIX 2

RICOH ARENA COMPANY STRUCTURES June 2006



Key



Ownership



Leases



Lease Premium Payment



Loan Payment