



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	ERDF Capital Projects - Next Steps Waterfront Hotel Conference and Exhibition Centre Forth River Innovation Centre
Date:	22 August 2014
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1	Relevant Background Information
1.1	<p>In June 2012 Members agreed to deliver a Belfast Investment Programme with the largest single project within the programme being the development of a World Class Conference and Exhibition Centre at the Belfast Waterfront Hall.</p> <p>The Programme also commits the Council to the Development of a £9.1m Innovation Centre at the Forth River Industrial Estate.</p> <p>Waterfront Hall</p>
1.2	<p>The purpose of this project is to redress Belfast's declining market share in the lucrative international business tourism market which has come about due to a lack of sufficient exhibition space, inadequate provision of break out rooms and insufficient banqueting facilities at the Waterfront Hall.</p> <p>The Strategic Policy and Resources Committee subsequently agreed to commit £11m towards a £29.5m extension to the Waterfront Hall in order to provide:-</p> <ul style="list-style-type: none">• 3000 sq m of additional flexible exhibition space• 14 additional breakout rooms• Banqueting facilities for 1000 delegates
1.3	<p>The remaining capital finance of £18.5m is being provided by the Northern Ireland Tourist Board and the European Regional Development Fund (ERDF).</p>
1.4	<p>This funding is conditional on the Council achieving the following business objectives once the new facility has been completed;</p>

	<ul style="list-style-type: none"> • Attract 50,000 conference delegates by 2020 (Baseline 25,000) • Attract 35,000 “out of state” visitors by 2020 (Baseline 10,000) • Host an average of 6 Large National Association Conferences per annum by 2020 (Baseline 1 Annually) • Host an average of 6 International conferences per annum(Baseline 1 every two years)
1.5	The NITB and ERDF funding is also conditional on Belfast City Council putting in place an Operating Model which is to the satisfaction of NITB and will deliver the project objectives set out above. The Council is also required to demonstrate that it has put in place an experienced management team capable of delivering the project and that the necessary marketing and sales personnel are in place.
1.6	In addition to the objectives set out in the NITB Letter of Offer, the revised Business Plan seeks to reduce the operating deficit at the Waterfront Hall by £1m by the end of 2018 and to reach a breakeven point in 2020.
1.7	As reported in the Capital Programme Update, the enabling works for the project are nearing completion and the construction contract is due to be let on 22 September 2014 to allow completion in December 2015 in line with ERDF funding deadlines. The new exhibition and conference centre is due to open on 8 May 2016.
	Forth River Innovation Centre
1.8	The Council has also submitted an ERDF Application to Invest NI for the development of a 50,000 sq ft Innovation Centre at the Forth River Industrial Estate on the Springfield Road. The purpose of the project is to address the chronic levels of worklessness in the neighbouring wards and kick start the development of the Springvale Industrial Estate which has been vacant since its development over a decade ago.
1.9	The Business Case has been approved by the Invest NI Board and is currently awaiting sign off by the DFP Minister. This is required due to the scale of the Investment and the contribution required from both Invest NI and the ERDF to deliver the project.
1.10	The Project Management Unit in Property & Projects is currently assessing the tender returns for the design and build of the Centre. It is hoped that planning approvals will be in place and a Letter of Offer will issue in time to allow the Council to commence construction of the Centre in November 2014, with completion due by December 2015.

2	Key Issues
	Waterfront Hall
2.1	<u>Interim Managing Director</u> <p>Following an unsuccessful recruitment process earlier this year, the Committee at its meeting on 25 April, agreed the appointment of an Interim Director of the Waterfront Hall for a four month period pending the outcome of the tendering of the construction contract. This specialist experience of managing international conference facilities elsewhere and delivering similar projects in other locations</p>

	has been crucial in getting the project to this point.
2.2	<p>Given the scale of the project, the challenges of operating the Waterfront as a functioning entertainment venue as construction takes place, and the need to conduct an aggressive marketing and sales campaign in order to meet income targets, it is critical that a highly experienced Managing Director is in place for the duration of the project. Members are therefore asked to agree to the Director of Development securing the services of a suitably experienced Interim MD (through agreed procurement processes) until May 2016 when the new conference facility is fully operational.</p> <p><u>Sales and Marketing Resources</u></p>
2.3	<p>The conference and exhibition business sector is highly competitive with a typical lead time for securing business of 3 years. In order to achieve the sales targets for 2016 and beyond this business needs to be secured and contracted from 2014. This will require a sales and marketing team at the Waterfront which has experience of operating very commercially in a highly competitive marketplace and is capable of doubling the amount of business it currently secures.</p>
2.4	<p>In order to achieve these targets it is proposed that a new post of Head of Sales and Marketing (Waterfront Hall) is created to drive the sales and marketing plan for the new Conference and Exhibition Centre. It is also proposed that the existing team is enhanced through the creation of three additional sales and marketing posts. These posts would be created on an “invest to save” basis as the associated costs will be exceeded by the income which is projected in the 2016/2017 financial year.</p>
2.5	<p>There are also a number of additional “non-recurrent” revenue costs associated with activity required to implement a project of this scale. These revenue costs are over and above the capital costs and are therefore not being met from within the £29.5m capital funds budgets.</p>
2.6	<p>These non-recurrent items include brand design, sales and marketing materials, exhibition stands at international sales events, a 3D interactive digital model, additional legal and procurement advice, media and stakeholder events, pre-launch events and an industry wide opening event.</p>
2.7	<p>It is estimated that the additional non-recurrent costs, including those of the additional sales and marketing posts, will be circa £700k.</p> <p><u>ICT Upgrade</u></p>
2.8	<p>The IT and Telecoms Systems which currently exist within the Waterfront Hall are inadequate to meet the needs of a new state of the art conference venue. Current Wi-Fi provision is limited and will not meet the requirements of customers going forward. CRM systems, telecommunications systems and IT equipment will require upgrading to meet the requirements of future clients and business delegates visiting the Waterfront.</p>
2.9	<p>The cost of upgrading the current ICT infrastructure is estimated at £450k.</p> <p><u>Operating Model</u></p>
2.10	<p>As noted in Paragraph 1.5, the Council is required to conduct an Options Appraisal on potential Operating Models for the new Convention and Exhibition Centre and to implement an operating model which the funders are satisfied will</p>

	meet the economic objectives set out in the business case submitted in support of the funding application.
2.11	In order to fulfil this requirement, the SP&R Committee agreed at its meeting on 25 April 2014 to the procurement of consultants to conduct an options appraisal. RSM McClure Watters have now been appointed to conduct this appraisal and the Committee is asked to agree to a series of party group briefings in October to consider the potential options and the criteria to be used.
	Forth River Innovation Centre
2.12	It is intended that an experienced operator will be contracted to operate the Innovation Centre on the Council's behalf once the building has been constructed. This will have to be done by means of a "negotiated procedure" within European Procurement Guidelines, and specialist legal and procurement advice will be required to support the Council through this process. The cost of this external advice is estimated to be around £80k.
2.13	The Council would intend to begin to market the Innovation Centre soon after the design process is complete in order to ensure early occupancy and that job creation begins as soon as the facility is ready. This will require the development of a sales and marketing plan and as such, a budget will be required for associated sales and marketing materials to launch this new facility. It is anticipated that the pre-opening activities will cost around £50K.

3	Resource Implications
	Waterfront Hall
3.1	The £700k of non-recurrent costs associated with the Waterfront Hall will be financed through in-year reallocations.
3.2	All staff resources will be sourced in accordance with the Council's agreed Procurement and Human Resource Policies and Procedures.
3.3	Capital costs associated with the upgrade of existing ICT infrastructure in the Waterfront Hall is estimated to be £450k and will be financed through non-recurrent capital finance.
	Forth River Innovation Centre
3.4	The £130k of non-recurrent costs associated with Innovation Centre will be financed through in-year reallocations.

4	Equality and Good Relations Considerations
4.1	There are no equality or good relations implications identified.

5	Recommendations
5.1	<p>Members are asked to:-</p> <p>Agree to the appointment of an Interim Managing Director until May 2016</p> <p>Agree to the appointment of a Head Sales and Marketing (Waterfront Hall) and three additional Sales and Marketing Staff on an “Invest to Save “basis and in accordance with agreed HR policies and procedures.</p> <p>Agree to a series of party group briefings to take place in October on the Options Appraisal for the Operating Model.</p> <p>Agree to the £700k of non-recurrent costs associated with the Waterfront Hall being financed through in-year reallocations.</p> <p>Agree to the capital cost associated with the upgrade of existing ICT Infrastructure in the Waterfront Hall is estimated to be £450k and being financed through non recurrent capital finance.</p> <p>Agree to the £130k of non-recurrent costs associated with Innovation Centre being financed through in-year reallocations.</p>

6	Decision Tracking
<p>Further detailed reports will be prepared by the Director of Development presentation to Committee for decision as and when required.</p>	

7	Key to Abbreviations
<p>NITB – Northern Ireland Tourist Board ERDF –European Regional Development Fund</p>	

8	Documents Attached