

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Capital Programme Committee
<b>DATE</b>	3 June 2019
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	The Event Complex Aberdeen Project Update
<b>REPORT NUMBER</b>	RES/19/277
<b>DIRECTOR</b>	Steve Whyte
<b>CHIEF OFFICER</b>	John Wilson
<b>REPORT AUTHOR</b>	Andrew Win
<b>TERMS OF REFERENCE</b>	1.1

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### 1. PURPOSE OF REPORT

To report the progress of The Event Complex Aberdeen (TECA) project, including milestones achieved to date, next steps and to summarise continuing risks associated with the project.

### 2. RECOMMENDATION(S)

That Committee: -

- 2.1 Note the milestones achieved to date for the project and those that remain, to ensure a successful opening later in the year;
- 2.2 Note the financial position for the project; and
- 2.3 Instruct the Chief Officer Capital to provide a further update on progress at the next Capital Programme Committee in September 2019.

### 3. BACKGROUND

#### City Transformation

- 3.1 Aberdeen City Council is leading the most significant transformation in the city's history. The project described in this report is just one of several jewels in a new cultural crown.

- 3.2 Unprecedented levels of investment are enhancing historic venues and delivering new world-class facilities.
- 3.3 In 2019 the redeveloped Aberdeen Art Gallery – already home to work by artists such as Sir Francis Bacon and Claude Monet – will re-open and The Event Complex Aberdeen (TECA), a 12,500-capacity venue, will be launched.
- 3.4 Union Terrace Gardens is being revitalised, enriching the city’s green heart for generations to come, while the sympathetic restoration of Provost Skene’s House as a contemporary visitor attraction will celebrate the vision and ingenuity of our people and the city region’s continuing global influence.
- 3.5 The iconic Music Hall has been refurbished and the regenerated Broad Street, animated by a dancing fountain, flanked by the award-winning Marischal Square and the magnificent Marischal College, has given the city centre a new stage.
- 3.6 2019: the year of Aberdeen’s renaissance. Refer to Appendix 1

## **Project Introduction**

- 3.7 TECA is a key element of business infrastructure needed to promote Aberdeen as a World Energy City and the Energy Capital of Europe. The development has been identified as a key deliverable of the Regional Economic Strategy.
- 3.8 In March 2015, Council unanimously approved the business case for the new Aberdeen Exhibition and Conference Centre (AECC) and the redevelopment of the existing AECC site. Officers have worked with its development partner – Henry Boot Developments (HBD) to obtain detailed planning permission, finalise the legal development agreements, secure investment funding and procure Robertson Construction Group to undertake the construction works.
- 3.9 The TECA development provides: -
  - A new exhibition and conference centre that consist of a 12,500 -capacity arena, 6,000 square metres (sq.m) of conferencing and meeting room space, 48,000 sq.m of flexible exhibition space, restaurant, 7 food and beverage outlets and 16 VIP boxes;
  - A 200 bed 4-star Hilton hotel;
  - A 150 bed 3½ -star Aloft by Marriott hotel;
  - An Onsite Energy Centre;
  - An Anaerobic Digestion Gas to Grid facility (AD Plant).
- 3.10 The TECA construction works began in June 2016 which had an expected build programme of three years. During this time, the project has delivered the following milestones and achievements:
 

▪ Demolition of existing buildings	June 2016
▪ Infrastructure works	April 2017
▪ Building structural steel	May 2017
▪ Building cladding	June 2018
▪ Mechanical and electricals works	June 2018

- Energy Centre handover and operation      April 2019
- Interior finishing                                      May 2019

3.11 Several non-construction milestones have been achieved during this period: -

- Appointment of hotel operator – Redefine BDL to operate and manage both hotels;
- Appointment of SMG Europe as operator for the TECA complex;
- Appointment of FES FM as operator of the energy centre;
- Appointed the design and build contractor for AD Plant.

3.12 HBD and Robertson are contractually obligated to deliver the development in sections and the following elements will be handed over to the Council in May and June 2019 with the final handover expected in August 2019. The Council, with support from Faithful and Gould, are monitoring progress through regular project delivery group and project board meetings: -

- the Subterranean space and Road Network                                      May 2019
- Hotel One, Burn Corridor and Associated Infrastructure      June 2019
- Hotel Two and Car Park    June 2019
- the TECA building    June 2019
- the Above Ground Car Park Section    August 2019

3.13 The Anaerobic Digestion Gas to Grid Facility (AD Plant) is being built by Thöni Industriebetriebe. Works started in March 2019 and is scheduled to be completed in December 2019 to ensure commissioning and gas injection into the grid by the end of January 2020 in line with the original project milestones.

3.14 Since their appointment on 1 April 2017, SMG Europe as operator of the existing AECC and new TECA building, have reviewed the plans for the facility to ensure the ambition on a world class venue and the Council with its development partner, Henry Boot Developments (HBD) have made following changes to the building: -

- enhanced the audio-visual infrastructure to the exhibition halls and the conferencing facility;
- increased the conference and meeting room capacities;
- installed rigging and undertook mother grid alterations;
- installed acoustic treatment to the arena and exhibition halls;
- installed facilities to improve customer experience;
- enhanced interior design including fixtures and furniture;
- reconfigured the first floor VIP areas to include a show deck and circulation space; and
- provided increased security measures to the surrounding site.

3.15 With the project nearing completion and the sections being prepared for commissioning and handover, significant focus has been on ensuring and maintaining the build quality. The Council has agreed a detailed inspection and snagging process with HBD and their Employers Agent – Turner and Townsend (TTPM) and Faithful and Gould have been employed by the Council to act on its behalf and will make representations to TTPM.

3.16 Following handover of the TECA building in June 2019, a programme of fit-out and post contract works will be undertaken by SMG and the Council to prepare the building for two test events in August and for Offshore Europe in September.

3.17 Several events and exhibitions have been announced recently with more significant events and conference expected to be known in the next few months. A full programme of events can be found in the TECA website – [www.teca.co.uk](http://www.teca.co.uk). However, even during the construction and development phases, and since the operator has been appointed, TECA is competing nationally and internationally for several events that would not be able to be secured by Scotland or Aberdeen. The following unique selling points are already apparent:

- Proximity to Aberdeen International Airport – the ability for organisers and attendees to be onsite at the TECA within minutes of their arrival at the airport;
- Proximity to the AWPR and the ability to move delegates/ attendees from the site onto the road network, and the extended catchment area of the city to Perthshire/ Dundee areas;
- SMG Europe in partnership in development of a new Convention Bureau approach to ensure that the wider hotel sector is capitalising on the Council’s investment in the TECA;
- The infrastructure onsite is not available anywhere else in the UK and, at the Scottish level, Aberdeen can now attract events that would not otherwise ‘come’ to Scotland;
- Sustainability – having an event at TECA will enable the sector to deliver its contribution to low carbon targets as a result of the AD Plant and Energy Centre. This is a key consideration in the investment decision and TECA is the most sustainable venue in the UK; and
- TECA supports both the economic diversification of the city region in the RES, into growing the value of tourism to the region; and, given its design, is an excellent example of the city’s energy transition.

#### 4. FINANCIAL IMPLICATIONS

4.1 In May 2016, Council considered a report on the new AECC (TECA) development which included information on the Council’s financial exposure over a 35-year period and noted an estimated capital cost of £383.12 million.

<b>Gross Budget</b>	<b>Spend to date (end of March 2019)</b>
£383.12m	£325.86m

4.2 Spend to date reflects the construction stage of the project. The final expenditure can only be confirmed once all the project works are complete and the Chief Officer Capital shall provide a full financial outturn as part of the post project evaluation.

## 5. LEGAL IMPLICATIONS

- 5.1 The Council has entered into two hotel franchise agreements with Hilton and Marriot, as well as a hotel management agreement with Redefine BDL. The Council has also agreed a contract with SMG Europe to operate the TECA building management and an operation and management contract with FES FM to run the site's energy centre. These contracts place obligations on the Council regarding contract notification, insurance provision and pre-opening activities, which are dependent on the completion dates as described in paragraph 3.12. Officers with legal and commercial and procurement services are supporting to ensure that these obligations are managed.

## 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
<b>Financial</b>	Increased Capital Costs  Delay in construction programme	M  L	ACC set the maximum capital costs for TECA development as part of the development agreement with HBD. Any decisions relating to project costs will be treated as a scope change and therefore will require Project Board approval. Penalty clauses are installed in the fixed price construction contract which will incentivise to the contractor to remain on time.
<b>Legal</b>	Delay in contraction programme impacting on opening dates	L	Officer's actively monitor the programme and communicate project updates to the board and hotel partners.
<b>Employee</b>	None		
<b>Customer</b>	Poor communications internally and externally	L	Regular updates and meetings carried out with appropriate officers with monthly programme status reports provided to the Strategic Asset and Capital Board.

			A communication project team has been established to keep partners and stakeholders informed of key milestones and decisions.
<b>Environment</b>	None		
<b>Technology</b>	None		
<b>Reputational</b>	Delay in construction programme impacting on Offshore Europe	M	Penalty clauses are installed in the fixed price construction contract which will incentivise the contractor to remain on time.  Additional obligations and incentives placed on the developer and contractor to ensure early access and handover of the TECA building is handed over on 30 June 2019 to allow works to be done to enable the building to host Offshore Europe.

## 7. OUTCOMES

<b>Local Outcome Improvement Plan Themes</b>	
	<b>Impact of Report</b>
<b>Prosperous Economy</b>	The TECA development is a key part of the Regional Economic Strategy and forms part of the objective to help diversify the economy in North east Scotland and promote a prosperous economy.
<b>Prosperous People</b>	The variety of new events and conferences which the TECA development will attract will benefit the people that live in Aberdeen.
<b>Prosperous Place</b>	Creating a place in which people like to live and work is key to a prosperous place. The TECA development will enable a variety of new events and conferences and will promote Aberdeen internationally as a destination for business visitors and tourists.
<b>Enabling Technology</b>	An objective of the TECA development is to enable new technology. The onsite energy centre uses three hydrogen fuel cells to power and heat the development. This installation is the largest in the UK.

<b>Design Principles of Target Operating Model</b>	
	<b>Impact of Report</b>
<b>Customer Service Design</b>	None
<b>Organisational Design</b>	None
<b>Governance</b>	None
<b>Workforce</b>	None
<b>Process Design</b>	None
<b>Technology</b>	None
<b>Partnerships and Alliances</b>	Positive – strengthening partnerships with key stakeholders to deliver services forms part of delivering the TOM.

## **8. IMPACT ASSESSMENTS**

<b>Assessment</b>	<b>Outcome</b>
<b>Equality &amp; Human Rights Impact Assessment</b>	A full EHRIA is not required
<b>Data Protection Impact Assessment</b>	Not Required
<b>Duty of Due Regard / Fairer Scotland Duty</b>	Not Applicable

## **9. BACKGROUND PAPERS**

Full Council (October 2013) - EPI/13/365

Full Council (May 2014) – EPI/14/077

Full Council (March 2015) – CHI/14/045

Full Council (May 2016) - CHI/16/106

Finance, Policy & Resources (September 2017) - CHI/17/228

## **10. APPENDICES (if applicable)**

Appendix 1: City Cultural Map

## **11. REPORT AUTHOR CONTACT DETAILS**

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