

Public Document Pack



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Reference:
Date: Friday 03 November 2017

Dear All

PLANNING & TRANSPORTATION CABINET ADVISORY BOARD - MONDAY 13 NOVEMBER 2017

I now enclose the supplementary pack relating to the Civic Development which appears as item 6 on your agenda for the meeting on Monday 13 November 2017.

Agenda No Item

- 6 * **Civic Development Delivery** (Pages 1 - 298)
- **Exempt Appendices to the Civic Development Delivery (Item 6 above)**

Mike McGeary
Democratic Services Officer

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| | |
|---|-------------------------|
| Planning & Transportation Cabinet Advisory Board | 13 November 2017 |
| Finance and Governance Cabinet Advisory Board | 14 November 2017 |
| Communities Cabinet Advisory Board | 15 November 2017 |
| Is the final decision on the recommendations in this report to be made at this meeting? | No |

Civic Development Delivery

| | |
|-----------------------------|---|
| Final Decision-Maker | Full Council |
| Portfolio Holder(s) | David Jukes, Leader of the Council |
| Lead Director | Lee Colyer – Director of Finance, Policy and Development |
| Head of Service | David Candlin, Head of Economic Development & Property |
| Lead Officer/Author | David Candlin, Head of Economic Development & Property |
| Classification | Part Exempt Exempt Appendices - exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended): Information relating to the financial or business affairs of any particular person including the authority holding that information. |
| Wards affected | All |

This report makes the following recommendations to the final decision-maker:

1. That Full Council endorse the project designed to RIBA Stage 3 (Developed Design) in accordance with Full Council Decision FC70/16 on 22 February 2017 be approved for funding and delivery.

2. Delegate authority to the Head of Economic Development and Property, and S151 Officer, in consultation with the Leader and the Portfolio Holder for Finance and Governance (on behalf of the Council as land owner) to:
 - a. declare land within the development site surplus to requirements to enable the land to be included within the Civic Development;
 - b. To agree in principle to the use of TWBC’s compulsory purchase powers to deliver the Civic Development programme.
 - c. to resolve that the Council’s interests in the land within the Development Site be appropriated for planning purposes under Section 122 of the Local Government Act 1972 and such relevant legislation and to delegate the making of all necessary preparation to effect such appropriation

- d. progress formal submission of a planning application to the Local Planning Authority for the Civic Development as described in this report;
 - e. submit details to discharge the conditions of all planning matters and conditions and statutory requirements;
 - f. progress stopping up orders as required to enable the development;
 - g. progress with the Parking Services Manager the relocation of taxi waiting area and relocation of the disabled parking bay on Mount Pleasant Road;
 - h. market, negotiate and conclude the lettings for office occupiers;
 - i. utilise appropriate OJEU-compliant frameworks or route to appoint the necessary professional consultancy team to support the Council in delivering the Civic Development;
 - j. Utilise appropriate OJEU-compliant frameworks or route to invite competitive tenders for the development and accept a tender within the costs given in this report and oversee the development to completion;
 - k. prepare the identified area of land (Civic Complex) including but not restricted to the Town Hall, Assembly Hall Theatre, 9-10 Calverley Terrace and Crescent Road properties for disposal and redevelopment, bringing a report/s on the approach and valuation for decision/s at Cabinet prior to completion of the approved Civic Development;
 - l. allocate funding to specific aspects within the Civic Development;
 - m. authorise the progress of any preparatory work required prior to the making of a Compulsory Purchase Order, as necessary to progress the Civic Development;
3. Delegate authority to Cabinet to:
- a. Progress the acquisition of the required third party property assets, rights of access and any other rights as required through negotiation or Compulsory Purchase Orders if required to enable the delivery of the project.
 - b. Delegate authorisation to the Head of Economic Development and Section 151 Officer in consultation with the Leader and the Portfolio Holder for Finance and Governance the making of all necessary preparation to make one or more Compulsory Purchase Orders to deliver the Civic Development project subject to the final decision to make CPOs being agreed by Cabinet at a later date.
 - c. Delegate authorisation to the Head of Economic Development and Property, and Section 151 Officer in consultation with the Leader and the Portfolio Holder for Finance and Governance, to acquire the necessary third party interests.
 - d. to delegate to the Head of Economic Development and Property, and S151 Officer, in consultation with the Leader and the Portfolio Holder for Finance and Governance to take all necessary steps to secure and deliver out the confirmation of the CPO including the use of powers in the Town and Country Planning Act 1990 (as part of the CPO exercise) to secure the removal of any apparatus of statutory undertakers or communication code operators from the development site and grant alternative rights to facilitate the development;
 - e. Grant approval to the Head of Economic Development and Property, and S151 Officer, in consultation with the Leader and the Portfolio Holder for Finance and Governance to publish and serve all appropriate notices of confirmation of the Order and to make one or more general vesting

declarations or serve notices to treat and notices of entry (as appropriate) in respect of the land within the compulsory purchase order;

4. That authorisation be given to the Head of Economic Development and Property and S151 Officer, in consultation with the Leader and the Portfolio Holder for Finance and Governance, to take all necessary steps to secure the acquisition of all third party interests and rights over the development site and the removal of all occupants from the land under Section 203 of the Housing and Planning Act 2016; to pay such compensation as is agreed between the parties or determined by the Upper Tribunal (Lands Chamber). This authorisation includes the publication and advertisement of the Order, participation in a Public Inquiry (if required); taking all necessary steps to acquire relevant interests; and such other steps as deemed appropriate to facilitate the development, redevelopment or improvement of the Order land or to facilitate the Council's participation in a potential Public Inquiry;
5. Delegate to the Head of Economic Development and Property in consultation with the Leader and the Portfolio Holder for Finance and Governance to undertake such steps as are necessary and incidental to the recommendations in this Report and enter into such legal agreements as deemed appropriate, to facilitate the progress and completion of the development subject to obtaining any Cabinet approval that may be required.
6. That Full Council endorse:
 - a. the Civic Development Project Financials Supplementary Report and approve the gross capital budget of £85 million plus a further £1 million for professional fees for the Development Programme Budget to be funded by a capital receipt of £9 million and borrowing of £77 million;
 - b. the schedule £2.3 million of cost reductions to the base revenue budget as a basis from which to fund the net cost of repaying the above borrowing;
 - c. the amendment of the Treasury Management Policy and Strategy to increase the authorised limit for external debt and the operational boundary for external debt by £77 million;
 - d. the CIPFA review of the Civic Development Project;
 - e. the Mid Kent Audit review of the Civic Development Project;
 - f. the Business Plan prepared for the proposed new Theatre;
 - g. the Consolidated Business Case;
 - h. the development of a Calverley Grounds Management Plan.
7. That Full Council note that all consultancy fees identified in the report are spent at risk and that they will be abortive costs if the buildings are not developed;
8. That the Civic Development be identified as a separate strategic risk in the Council's Strategic Risk Register and that it is overseen (alongside other risks) by the Audit and Governance Committee;
9. That the Development Advisory Panel is engaged as appropriate during the delivery of the work and that an outline programme of engagement is developed with wider Council members, stakeholders, community groups, businesses and residents.

This report relates to the following Five Year Plan Key Objectives:

- A Prosperous Borough
- A Green Borough
- A Confident Borough

The report supports delivery of the Council's Five Year Plan and seeks to progress the redevelopment of the theatre, provide brand new office space and car parking and improve the entrance setting to Calverley Grounds whilst protecting the historic integrity of the listed civic suite of buildings and providing a masterplan framework within which this place shaping may take place to complement and enhance Tunbridge Wells.

| Timetable | |
|--|--------------------|
| <i>Meeting</i> | <i>Date</i> |
| Management Board | 25 October 2017 |
| Discussion with Portfolio Holder | 2 November 2017 |
| Planning and Transportation Cabinet Advisory Board | 13 November 2017 |
| Finance and Governance Cabinet Advisory Board | 14 November 2017 |
| Communities Cabinet Advisory Board | 15 November 2017 |
| Audit & Governance Committee | 21 November 2017 |
| Cabinet | 23 November 2017 |
| Full Council | 6 December 2017 |

Civic Development Delivery

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Borough has a clear and ambitious vision to “grow our role as the cultural centre of the Kent & Sussex High Weald, so that by 2024 the borough of Tunbridge Wells is nationally recognised for its vibrant cultural provision”. Having a modern theatre sits at the heart of this vision. Likewise, the commitment to deliver a modern theatre fit for the 21st Century, is a key component of the Council’s Five Year Plan together with the delivery of new office space on Mount Pleasant Avenue Car Park.
- 1.2 Full Council on the 22 February 2017 approved the Council moving into RIBA Stage 3 (developed design) for the project to progress:
 - Office
 - Theatre
 - Underground Car Park
 - Development Framework
- 1.3 The decision was taken to enable procurement of a development partner delegated a decision on progression into RIBA Stage 3 (Developed Design) of the project and completion of the masterplan process.
- 1.4 The Civic Development project is concerned with delivering the Council’s place-shaping and civic leadership responsibilities for enhancing the attractiveness and cultural vitality of the borough. The benefits from the project will accrue not to the Council as the funder but to those who live and work in, and visit the Borough.
- 1.5 The reports cover the work undertaken during RIBA Stage 3 including the detailed design and site assembly work. They summarise the principal design elements for Stage 3 of the office, theatre, underground car park and public realm including the principal site, building and material design criteria which has informed the overall design of the whole project and further summarise the specific design elements for the theatre, office, underground car park and public realm and landscaping.
- 1.6 An outline of the options and preferred approach to the next stages of procurement to enable the construction of the proposed development including the procurement of the surveying, planning consultancy, project management, contract administration / employer’s agent and quantity surveying roles required to deliver a development of the scale of the Civic Development are set out.
- 1.7 Further the reports cover the existing Civic Complex and the proposed strategy and mechanisms for managing its disposal to ensure best consideration having regard to the historic integrity of the buildings and their locational and social significance in the Town.

- 1.8 The potential for alternative uses of the Town Hall and Assembly Hall Theatre other than residential use has been investigated by GVA on behalf of the Council and these are outlined in the reports.
 - 1.9 Finally the reports set out the costings, funding strategy and borrowing strategy to deliver the proposed new Theatre, Civic Centre, underground car park and public realm. It also highlight the three independent reviews commissioned by the Council to review the approach to Project Management, review the key financial assumptions underpinning the Civic Development Project and the robustness of the funding strategy, and a desk-top review of the Council's balance sheet.
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2 INTRODUCTION

- 2.1 The design and development of a new Theatre, Civic Centre, underground car park and public realm works has now reached the end of RIBA Stage 3 (Developed Design). It builds on the work carried out during RIBA Stages 0-1 (Strategic Definition, Preparation and Brief) and Stage 2 (Concept Design). Each stage and the movement between stages has been subject to decisions at Full Council meetings. The completion of RIBA Stage 3 is an important project milestone and gateway.
- 2.2 Alongside the design of a new theatre, Civic centre, underground car park and public realm the Council has been undertaking a number of core pieces of work to support the broader vision. A key element of the Civic Development is the future of the Civic Complex and associated buildings. Work has been ongoing to confirm the market position and delivery of the site for new purposes to ensure it is an active part of the overall development.
- 2.3 This work has been supported by broader consideration of the approach to construction, the development of the approach to procurement of the design, project management and the contractors going forward, development of the Theatre business plan, the market position for new offices and understanding and developing the financial package necessary to deliver the scheme.
- 2.4 Throughout the development of the Civic Development project, Full Council has been asked to confirm that it wishes to progress to the next Stage. Approval for Full Council is now being sought to progress the Civic Development through to planning and ultimately a development. The basis of the Stage 3 documents and particularly the design proposals that will form the basis of a planning application.
- 2.5 This report is broken down into four key areas which are covered in detail in the attached reports. These are:
 - Report 1: Design & Site Assembly
 - Report 2: Procurement
 - Report 3: Civic Complex
 - Report 4: Project Financials

2.6 A summary of each of these reports is outlined in sections 5, 6, 7 and 8 below.

3 BACKGROUND

- 3.1 The borough has a clear and ambitious vision to 'grow our role as the cultural centre of the Kent & Sussex High Weald, so that by 2024 the borough of Tunbridge Wells is nationally recognised for its vibrant cultural provision'. Having a modern theatre sits at the heart of this vision. Likewise, the commitment to deliver a modern theatre fit for the 21st Century, is a key component of the Council's Five Year Plan. This was the clear statement of intent set out in the October 2014 Cabinet which approved the Assembly Hall Theatre mandate.
- 3.2 From the outset and following the principles set down for the Development Programme in 2013, the investigative work has been carried out in stages with the end of each stage providing a 'gate' or decision point regarding continuation of the project and the commitment of additional resources towards the feasibility. The investigative works for the Civic Development are in accordance with the Royal Institute of British Architects (RIBA) defined stages. The decisions taken at each stage are set out in Appendix 2 (Key Council Decisions) attached to this report. In addition to the key decisions, Appendix 3 (List of Committee Meetings) – attached to this report – provides a list of all committee meetings (all held in public) where the Civic Development has been an item on the agenda.
- 3.3 **Feasibility** - In October 2014 Cabinet commissioned wider work on the Assembly Hall Theatre Mandate which includes the civic complex, Great Hall Car Park and the Mount Pleasant Avenue Car Park to consider those assets within the Council's property portfolio to enable the development of a new theatre whilst keeping the existing theatre operational until the new theatre is built and open. Included within the mandate was the authority to consider the disposal of the Town Hall and Assembly Hall theatre to contribute toward the financing of a new theatre. Within this investigative work the opportunity for the Mount Pleasant Avenue site to be developed as an office for potential use by the Council in the future with a potential to sub-let part of the building to another occupier has formed part of the core opportunities. This was in recognition of the place-shaping priorities of the Council and the recognition of the need for top quality modern office accommodation in Royal Tunbridge Wells to continue to attract and keep a core business and economic priority of office workers within the town. The Council appointed consultants GVA to undertake an initial feasibility.
- 3.4 **Stage 1** – At the end of the feasibility work, Full Council (on 9 December 2015) agreed to move to RIBA Stage 1. A decision in October 2015 to progress with the office proposal had already been taken in advance of the full project being considered in December.
- 3.5 **Stage 2** - At the end of Stage 1, Full Council (on 20 July 2016) resolved to move into RIBA Stage 2.

- 3.6 **Stage 3** - At the end of Stage 2 Full Council (on 22 February 2017) approved a decision to undertake the developed design work at Stage 3.
- 3.7 It is at the end of Stage 3 that the Council will now need to consider the capital requirements and decide to deliver the project. The initial feasibility elements up to the end of this stage are at financial risk until a decision on delivery is taken.
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4 PROJECT TEAM

- 4.1 The Council appointed GVA as our lead consultant. Utilising a national framework (Crown Commercial Services), a strong project team was assembled to ensure we had the correct experience and expertise available to advise on a significant project with technical challenges in designing a modern theatre in the heart of an existing town centre. The project team is outlined in Appendix 4.
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5 REPORT 1: DESIGN & SITE ASSEMBLY

- 5.1 This report covers the design to RIBA Plan of Works Stage 3 and the site assembly aspect of the Civic Development Project. It summarises the principal design elements for Stage 3 of the office, theatre, underground car park and public realm including the principal site, building and material design criteria which has informed the overall design of the whole project and further summarises the specific design elements for the theatre, office, underground car park and public realm and landscaping.
- 5.2 It places the project design within the setting of the historic Calverley Grounds and the surrounding townscape and explains how massing, size and scale have been addressed through design to sit comfortably within this context and respect and complement the original Decimus Burton concept. The report highlights how the designs have changed from Stage 2 to Stage 3.
- 5.3 It considers the transport and access arrangements for the scheme, the office and theatre servicing, access and inclusive design and neighbourly matters including rights to light and day light and sunlight and party wall matters. The site assembly strategy and CPO process are summarised with the proposed timeline integrated into the project programme.
- 5.4 A summary of the Planning Pre-Application engagement is included and highlights that, as is usual practice for developers, we will be continuing our pre-application discussions and seeking to refine design and address issues through to a planning application being submitted. The report indicates those matters that need further discussion and highlights the fact that in a scheme of this scale there will be elements that the planning authority will need to consider against the broader benefits of the scheme to the town and the borough.
- 5.5 The report includes information on the engagement with the independent specialist bodies, Historic England and Design South East, which indicates their endorsement in principle to the overall design. These discussions will continue through the later RIBA design stages.
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6 REPORT 2: PROCUREMENT

- 6.1 The report has been prepared with input from GVA, DAC Beachcroft, Aecom and project, procurement and legal officers from the Council. There have been a number of detailed discussions held to discuss the options, emerging strategy and to help shape the preferred approach to the next stages of procurement to enable the construction of the proposed development including the procurement of the surveying, planning consultancy, project management, contract administration / employer's agent and quantity surveying roles required to deliver a development of the scale of the Civic Development.
- 6.1 The Council has set out a number of key aspects it is seeking to meet through the procurement of contractors and professional expertise to deliver the Civic Development:
- Cost – the Project is procured within the approved Budget.
 - Quality – the completed Project meets the high standards required for a development of its status and highly sensitive location.
 - Risk – as far as possible the risk of delivering the Project is allocated to a single contractor that is experienced, competent and resourced to manage the risks and deliver the project successfully.
 - Disruption – the disruption to the locality and the Town due to construction operations is minimised in time, temporary loss of amenities, traffic and pedestrian movements, noise and dust etc.
 - Timescales – the project is delivered in the shortest overall time, whilst achieving the above cost, quality and risk objectives.
 - A fair and transparent procurement process is put into place.
- 6.2 The Two-Stage Design & Build approach has been selected as meeting the Council's objectives and market requirements. A suitable construction framework will be utilised.
- 6.3 Alongside the procurement of a contractor the Council will utilise a suitable framework/s (Homes and Communities Agency and Crown Commercial Services RM 3816 and RM 3741 frameworks) to appoint the design and project management teams and to appoint the specialist site assembly and Compulsory Purchase advisors with the relevant experience and expertise to meet our criteria.

7 REPORT 3: CIVIC COMPLEX

- 7.1 This report covers the existing Civic Complex and the proposed strategy and mechanisms for managing its disposal to ensure best consideration having regard to the historic integrity of the buildings and their locational and social significance in the Town.
- 7.2 A brief has been developed by Allies & Morrison which sets out the site's planning potential. This document provides more detailed guidance for the options to re-use the existing buildings beyond the Planning Framework Document which was adopted in September 2017.

- 7.3 The potential for alternative uses of the Town Hall and Assembly Hall Theatre other than residential use has been investigated by GVA on behalf of the Council and these are outlined in the report. These include demand for the following uses to occupy a large quantum of the site or to become the predominant use.
- Office (conventional letting or serviced office)
 - Hotel
- 7.4 And demand for the following uses to occupy a sizeable albeit lesser quantum of the site, perhaps subservient to a more predominant use.
- Restaurant
 - Leisure (Has potential, albeit medium - low strength)
- 7.5 More specific uses such as healthcare, and educational purposes have been deemed by agents as plausible, but dependent on specific demand closer to the time of marketing.
- 7.6 Developers could seek to acquire the Civic Complex site as a standalone project as far back as 24-18 months prior to the earliest starting point for construction (in this case vacant possession). On the basis of the Council vacating the Civic Complex during the first quarter of 2022 would mean disposal in 2020. This will allow time to undertake sufficient due diligence, optimise a scheme for planning.
- 7.7 The report states that overall the Town Hall and Assembly Hall site is expected to be desirable amongst developers and occupiers alike and has a low risk of sitting vacant for an extended period of time.

8 REPORT 4: PROJECT FINANCIALS

- 8.1 The Civic Development project is concerned with delivering the Council's place-shaping and civic leadership responsibilities for enhancing the attractiveness and cultural vitality of the borough. The benefits from the project will accrue not to the Council as the funder but to those who live and work in, and visit the Borough. This report sets out the costings, funding strategy and borrowing strategy to deliver the proposed new Theatre, Civic Centre, underground car park and public realm.
- 8.2 The report highlights the three independent reviews commissioned by the Council to review the approach to Project Management, review the key financial assumptions underpinning the Civic Development Project and the robustness of the funding strategy, and a desk-top review of the Council's balance sheet.

Costings

- 8.3 The Council has received the costings report from the consultants AECOM following the completion of RIBA Stage 3. As the scheme progresses through each RIBA stage then more detailed information is obtained on the costs of the scheme and how the various elements will look and function. In addition, there is the opportunity to improve the scheme and to take on board the comments of stakeholders. The costs of the scheme at Stage 3 are shown below.

Agenda Item 6

| Components | Stage 3 (Developed Design) | |
|--|----------------------------|---------------|
| | Capital Cost | Revenue Net |
| | £m | £m |
| Office block | 20 | (0.60) |
| Theatre | 41 | 0.10 |
| 259 spaces | 15 | 0.00 |
| Public Realm | 4 | |
| Inflation | 5 | |
| Less fees incurred to planning stage | (4) | |
| Emergency suite, sprinklers & Theatre fit out | | |
| Expenditure (agrees to GVA report) | 81 | (0.50) |
| Capital receipt from Civic Site | (9) | |
| Net Build Cost | 72 | |
| Contingency and Fees included above | | |
| Other Potential Development Costs & Compensation | 4 | |
| Consultancy costs for Development Budget | 1 | |
| Net scheme cost to finance | 77 | |
| Cost of Borrowing | | |
| Principal and interest repayments | | 2.80 |
| Net Revenue Cost | | 2.30 |
| Other Funding Sources | 0 | |
| Net Cost to deliver | 77 | |
| Fee Expenditure to date | 4 | |
| Total Net Cost | 81 | |
| Total Gross Cost | 90 | |

Funding Strategy

- 8.4 In order to fund the net revenue cost of the project a total of £2.3 million of new recurring cost reductions or income is required from the Council's base budget allowed for within the Medium-Term Financial Strategy. The schedule of budget changes that need to be made ready for when the project is completed in 2022/23 is shown below.

| | By 2022/23 £000s |
|---|------------------------|
| Options for a new recycling and waste collection contract in 2019 | |
| 1 Choice for offering a chargeable garden waste service and KCC to share savings from reduced waste sent to landfill. | (700) |
| 2 Alternative ways to support community groups and Environmental Grants | (280) |

| | | |
|---|---|----------------|
| 3 | Review of development programme resources/ ROI | (500) |
| 4 | Increased share of business rates | (300) |
| 5 | Relocate Weald Information Centre to Hub | (40) |
| 6 | Project Executive savings | (100) |
| 7 | Senior Management savings (Achieved April 2017) | (120) |
| 8 | Pension reserve contribution ends | (250) |
| | TOTAL | (2,290) |

9 AVAILABLE OPTIONS

- 9.1 In terms of progressing from this point there are a number of options which are covered in more detailed by the consolidated business case. These include:
- 9.2 **Doing nothing (Staying Put)** – Doing nothing should not be regarded as a cost-free option. In effect this is staying put and accepting that we continue to maintain the Town Hall and Theatre to the current standard, accepting the current size and limitations of the Assembly Hall Theatre will not be addressed and that existing maintenance and running costs for the Town Hall and Theatre will remain with life cycle costs of this are £31,515,238. It would also mean that the Council would not be able to deliver its strategic objectives set out in its Five Year Plan and Cultural Strategy nor deliver the benefits associated with an improved theatre to the local economy. It was partly in recognition of the costs of staying put that the AHT Mandate was first approved by Cabinet in October 2014.
- 9.3 **Do minimum** - As previously outlined costs in excess of £13 million would be required to maintain the current Town Hall building and refurbish to make it more suitable for current employment practices. We have relocated all our current staff into the Town Hall with the proposal that Gateway is relocated in the new Cultural & Learning Hub. Further contraction of the officer base could enable some space to be let to third parties but without further investment the building is obsolete in the current market and therefore likely to prove problematic to let. In addressing a refurbishment the Council would need to decant to other premises for approximately 3-4 years and this in itself would incur significant costs and it is by no means certain that suitable alternative accommodation could be secured.
- 9.4 In a 'do minimum' scenario for refurbishing the Theatre, the Council would deliver Option 1 that was set out in the Stephen Browning Associates report to improve the auditorium and create new bar facilities. This would not increase the number of seats, increase the size of the stage, wing space or fly tower and would cost in the region of £15m. In addition the Theatre would need to close for a number of years which would present difficulties to the local economy, to local community users and to managing the theatre. Fundamentally, this option would not address the fundamental issues related to the building and would not enable the town to attract larger touring shows. The lack of space in the wings would start to see the current facility become less attractive to shows as costs to deliver in a compromised space increase. Some minor improvements in maintenance and running costs could be expected in this scenario (within the limitations of the listed buildings). The Cabinet report in October 2014

considered this option when the AHT Mandate was first proposed. The base capital investment costs are estimated as £28,000,000 with lifecycle costs estimated as £42,885,329.

- 9.5 **Do something** – The Civic Development Project comprises the proposed building of a new theatre on Great Hall Car Park, an office for Council and private tenant occupation on Mount Pleasant Avenue and a new underground Car Park with supporting public realm work, and anticipates the disposal (in some form) of the Town Hall and other enabling sites to contribute to the funding of the development. The detail is spelt out across the reports attached to this document as is the capital cost. The lifecycle costs are estimated as £33,925,329.
- 9.6 There are a range of potential options related to this which release one or more parts of the existing asset sites for redevelopment. The potential for alternative uses of the Town Hall and Assembly Hall Theatre other than residential use has been investigated by GVA on behalf of the Council. Their report is attached as Report 1 Appendix 3 (GVA Civic Site Alternative Uses Report September 2017)
- 9.7 The report suggests that there is demand for the following uses to occupy a large quantum of the site or to become the predominant use.
- Office (conventional letting or serviced office)
 - Mixed use developers confirmed their interest in providing offices over part of the site as part of a mix with residential space. Both have cautioned that their interest would depend on the viability and state of the market at the time, but have highlighted that strong residential values over part of the site may help subsidise some of the less valuable office accommodation.
 - Discussions with specialist office developers, and operators of serviced offices have confirmed interest in undertaking office development siting the popularity of the town and the future lack of supply as a key driver and the emerging trend of modern-day office tenants who desire more flexible terms. Crucially, the serviced office business model seeks to achieve rental premiums beyond usual market rent by offering tenants greater flexibility.
 - Hotel
 - The Town Hall could accommodate 70-90 bedrooms. This is a relatively popular space requirement amongst operators. The Town Hall's existing configuration of cellular offices and a central corridor also lends itself well to a conversion to hotel use. The Assembly Hall's configuration as a theatre would require a comprehensive redevelopment to accommodate hotel bedrooms. GVA highlighted that 3 of the UK's five key operators have confirmed a requirement to locate within Tunbridge Wells.
- 9.8 The report further suggests that there is demand for other uses to occupy a sizeable albeit lesser quantum of the site, perhaps subservient to a more predominant use.

- 9.9 It is envisaged that 9-10 Calverley Terrace is brought forward with the main Civic Complex buildings. There is also a potential for the Police Station (which is in separate ownership) to be considered as part of any integrated scheme.
- 9.10 There is an opportunity to explore the delivery of a development and see a financial return on 30-36 Crescent Road in advance of the other sites being brought to market. This could be either directly by the Council or through disposal on the open market after a planning application has been secured.
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10 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 10.1 It is recommended that the Council proceed with the developed design of the whole Civic Development project. The proposal would create a new, enhanced entrance into Calverley Grounds and in doing so increases the park's profile in the heart of the town; it would deliver a new, state-of-the-art theatre to be built in a unique location which enhances the leisure offer by linking the theatre with the park; it would allow for the provision of new office space that would go some way to replace some of the space lost through permitted development rights and, together with the new Cripps offices, send a signal to the market on the need for quality office accommodation within the town. The scheme would also enable the Council to secure a revenue stream for the future and to move from inefficient, obsolete office accommodation into modern cost-efficient space. The underground car park would replace some of the car parking that would be lost with the redevelopment of the Great Hall Car Park and provide new, modern car parking space fit for modern standards. Crucially, the development would ensure that inevitable new housing developments in the Borough are matched by a commensurate growth in cultural and leisure facilities, ensure that the Town and wider Borough retain their unique brand, support the local economy by ensuring the town remains an attractive place to live, work and visit and provide a significant increase in consumer spend within the town.
- 10.2 Within the complete project option, in order to realise maximum qualitative benefit (but having regard to cost and viability), it is recommended that:
- The theatre be the design that offers the maximum space that can be accommodated on the site to ensure the quality of the visitor experience and ensure that this will be a state-of-the-art theatre fit for the 21st Century;
 - The office is flexible in design to allow for the future, that it imparts dignity but that the civic space is flexible for alternative uses; that it provides space for a tenant/s and for the Council but that it be designed in keeping with its surrounds and to avoid unnecessary expenditure through the construction of superfluous space;
 - The car park comprises around 261 spaces to maximise the number of spaces against the increased construction as the site is developed deeper into the ground; and
 - The development framework/masterplan sets the context for the development and provides a framework to protect the integrity of the listed suite of existing historic buildings.
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11 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 11.1 The Stage 3 work is now completing and engagement with Members is continuing. Three briefing sessions covering the Theatre Business Plan, Design and Site Assembly and Finances have been given on the 16, 17 and 19 October. In addition, the Development Advisory Panel has received a briefing on the 9 October. Alongside these internal briefings, a number of Stakeholder engagements are taking place with local residents, friends and community groups, businesses and stakeholders. Information has been placed in the public domain on a regular basis including the suite of redacted Stage 1, 2 and 3 documents and the establishment of a dedicated website to provide information on the proposed scheme.
- 11.2 These most recent meetings are part of a programme of engagement both internally and externally throughout the development of the Civic Development from initial options through to the completion of the Stage 3 documents. Attached are a list of formal Committee Meetings (Appendix 3), Member Engagement (Appendix 5) and Community Engagement (Appendix 6). Articles have also been placed in the Council's 'Local' magazine and in local newspapers.
- 11.3 In addition presentations and discussions have been held with members of Cabinet throughout the process.
- 11.4 A group of 24 Councillors and Officers attended a fact-finding visit to the new Marlowe Theatre on the 25 October 2017. The visit comprised of a tour of the theatre, a Q&A panel with Councillors, Officers and local businesses, lunch and networking, followed by the option of viewing the stage production of 'Grease' the Musical. A summary of the visit is attached as Appendix 8.
- 11.5 Copies of the redacted initial feasibility carried out under the Assembly Hall Theatre Mandate, together with copies of the Cabinet and Full Council reports are available on the Council website. A copy of the redacted RIBA Stage 1 documents which summarise the work undertaken to the end of RIBA stage 1 are available publically on our website.
- 11.6 The redacted RIBA Stage 2 report which has an extensive set of appendices is available on the Council website.
- 11.7 The redacted RIBA Stage 3 report which has an extensive set of appendices is also available on the Council website.
-

12 LEGAL IMPLICATIONS

- 12.1 The making of a compulsory purchase order under the Town and Country Planning Act 1990, section 226(1) and the Acquisition of Land Act 1981 is a function which can be undertaken on behalf of the Council. The power must be exercised in line with the statutory requirements.

- 12.2 Section 226 of the Town and Country Planning Act 1990 enables a local authority to exercise its compulsory purchase powers:
- (i) if it considers that acquiring the land in question will facilitate the carrying out of development, redevelopment, or improvement on, or in relation to the land being acquired and
 - (ii) provided that it considers that the proposed development, redevelopment or improvement is likely to contribute to achieving the promotion or improvement of the economic, social or environmental well-being of its area (S226(1A)).

12.3 The Compulsory Purchase Order made by the Council will require confirmation by the Secretary of State in accordance with the statutory requirements.

12.4 The Council is entitled to acquire relevant sites through negotiation with third parties before or after the confirmation of the CPO by the Secretary of State. Compensation may be payable by way of negotiation; under statutory requirements or through the Court.

Human Rights

- 12.5 The Human Rights Act 1998 protects particular European convention rights to include :
- (a) the right of everyone to the peaceful enjoyment of their possessions, which can only be impinged upon in the public interest and subject to relevant national and international laws;
 - (b) the right to a fair and public hearing for those affected by the making of the CPO – Article 6;
 - (c) the right to a private and family life, home and correspondence, which again can only be impinged upon in accordance with law and in the public interest.
- 12.6 In light of the matters detailed in this Report, the exercise of the proposed compulsory purchase powers is justified on the basis that it is in the public interest, authorised by law and necessary and proportionate towards achieving the Civic Development programme. The CPO will also contribute to the Council achieving its key objectives within the Council's Five Year Plan of delivering a Prosperous, Green and Confident Borough. The Civic development will facilitate the redevelopment of the Theatre, provide new office space and improve the entrance to Calverley Grounds whilst protecting the historic integrity of the listed civic suite of buildings.
- 12.7 The proposed CPO will be consistent with Article 6 of the Human Rights Act 1998. All those affected will be informed and advised of a right to make representations to the Secretary of State, to be heard at a public inquiry and have a fair entitlement to compensation within the statutory provisions.

Overriding Existing Rights

- 12.8 Where the Council is satisfied that the development or re-development will contribute to the promotion or improvement of the economic and/or social and/or environmental well-being of its area; and it is in the public interest and thereby justified to appropriate the land to facilitate the development, this will enable the Council to override and infringe third party rights in accordance with the Housing and Planning Act 2016, section 203.

12.9 In order for section 203 of the 2016 Act to apply to the development site, all of the Council's interests must be held for planning purposes. It is therefore necessary to appropriate land within the development site for planning purposes under section 122 of the Local Government Act 1972.

12.10 The Council has the general power under the Local Government Act 1972, section 120 to acquire land by agreement for any of its purposes. The acquisition by negotiation prior to the making of the CPO is therefore permitted under the Act.

13 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

13.1 Following a decision by Full Council, a planning application will be finalised and submitted and the procurement of our expert advisors will be undertaken to enable the delivery of the Civic Development.

13.2 Attached as Appendix 7 is an indicative master programme that sets out the key stages towards the delivery of the Civic Development. It sets out the anticipated timeframes for the consideration of a planning application, land assembly issues, procurement of contractors, construction mobilisation and the period of construction. A copy of the master programme is provided in the redacted Stage 3 documents.

14 CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|---|--|---|
| Legal including Human Rights Act | <p>The framework agreements for professional services referred to in the report have been through a process of formal procurement in accordance with European and UK law to ensure that all requirements are met.</p> <p>Further legal implications are outlined within this Report.</p> | Patricia Narebor, Head of Legal Partnership and Monitoring Officer (03/11/17) |
| Finance and other resources | <p>Grant from central Government will disappear completely from April 2018. Future funding will be dependent on this Council's ability to deliver growth and to retain a greater share of business rate growth proceeds.</p> <p>The finances of eth scheme have been independently reviewed and the council does have the financial capacity to deliver the scheme provided the schedule of cost reductions is achieved.</p> | Lee Colyer, Director of Finance, Policy and Development (01/11/17) |

Agenda Item 6

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| <p>Staffing establishment</p> | <p>Staff will be impacted in many ways by this project and engagement with them will be important to delivering aspects of the project successfully. Workforce transformation and moving to new more flexible ways of working will be a significant piece of work. It will be necessary to review how we use the resources we have for delivery on an ongoing basis to ensure that we have the right people, working on the right things, at the right time.</p> | <p>Nicky Carter, Head of HR (02/11/17)</p> |
| <p>Risk management</p> | <p>The Council has already developed a number of 'gates' to manage the allocation of resources and introduce a phased approach to development. This approach has continued to be used for this project with the RIBA Workplan stages forming the break points. Broader risks for each development have been assessed as the project has progressed.</p> <p>Risks for the Civic Development project have been identified at three levels: project, operational, and strategic risk. All risks identified are recorded on a risk register, using a risk policy framework which directs that risks are assessed for impact and likelihood. Existing controls and actions are identified for each risk, specifically to manage high level risks to an acceptable level. The risk registers are regularly reviewed, updated and reported to either the Civic Steering Group (Management Board), Leadership Board, Development Advisory Panel or Audit and Governance Committee. Risk information is available online, and also hard copies are displayed in the Members Room.</p> <p>On agreement to progress the systems and monitoring will be maintained. A thorough review of the risk registers will be undertaken.</p> | <p>David Candlin, Head of Economic Development & Property (01/11/17)</p> |
| <p>Environment and sustainability</p> | <p>As referred to in the report the aim of the council is to influence place shaping and develop a theatre and office complex fit for the 21st Century, recognising its responsibility for civic leadership.</p> <p>It is therefore anticipated that the assessment of space and design will enable the delivery of the best possible environmentally sustainable building, include energy efficiency, exploring use of renewables, and keeping the use of resources such as water to a minimum. Thereby, ensuring long term, corporate energy bills are kept low; resources are used sustainably with the Council demonstrating leadership in supporting carbon reduction as set</p> | <p>Karin Grey, Sustainability Manager (02/11/17)</p> |

Agenda Item 6

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| | <p>out in Climate Local Tunbridge Wells 2014 and the adopted Kent Environment Strategy 2016.</p> <p>It is acknowledged that part of delivering a more environmentally sustainable building, consideration is being given to the building's footprint beyond its walls. By incorporating suitable designs and facilities to enable staff and patrons of the office and theatre to use sustainable transport methods. Which supports the actions as set out in the Borough Transport Strategy 2015, Cycle Strategy 2016 and adopted Air Quality Action Plan.</p> | |
| Community safety | There are no specific community safety issues arising from this project. | Terry Hughes, Community Safety Manager (02/11/17) |
| Health and Safety | There are no specific H+S issues at this stage. Specific H+S issues may arise at subsequent stages of the project and these will need to be managed during construction and post-delivery including security within the buildings, policies related to agile working, as well as ensuring that there are the required resources to ensure specific safety standards are in place. These are all issues that can be worked through easily prior to the full operation of these buildings. | Mike Catling, Corporate Health and Safety Advisor (02/11/17) |
| Health and wellbeing | The proposal supports the wider determinants of health by providing improved facilities for cultural, social and community engagement. | Tracey Beattie, Mid Kent Environmental Health Manager (03/11/17) |
| Equalities | <p>Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.</p> <p>This decision is relevant to the requirement to eliminate discrimination, harassment, victimisation and any other prohibited conduct under the Act with regard to:</p> <p style="padding-left: 40px;">Making reasonable adjustments for people with disabilities in relation to the public realm works and office accommodation. An 'Access and Inclusivity Statement' has been prepared by an Access Consultant (in the redacted Stage 3 documents) which addresses parking and the public realm/landscaping in so far as it relates to the proposed building and related works, for</p> | Sarah Lavallie, Corporate Governance Officer (02/11/17) |

| | | |
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| | <p>example, at interfaces between the street and entrances/thresholds.</p> <p>This decision is relevant to the requirement to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it with regard to:</p> <p>Meeting particular needs such as the needs of people with disabilities when relocating the disabled parking bay on Mount Pleasant Road and in the design of the public realm. Please refer to the 'Access and Inclusivity Statement' (in the redacted Stage 3 documents)</p> <p>Encouraging participation in cultural activities. The report sets out the borough's vision to 'grow our role as the cultural centre of the Kent & Sussex High Weald, so that by 2024 the borough of Tunbridge Wells is nationally recognised for its vibrant cultural provision'. In addition we have a corporate equality objective in place 'as a community leader and a service provider, we will foster good relations and advance equality of opportunity by increasing participation in our heritage, arts and culture programme for people with disabilities, younger and older age groups, ethnic groups, religious groups and lesbian, gay, bisexual and trans people'. The options of 'doing nothing' or 'doing the minimum' may give us fewer options to advance equality of opportunity in line with our vision and objective.</p> <p>This decision is relevant to fostering good relations between persons who share a relevant protected characteristic and persons who do not share it with regard to:</p> <p>Increasing confidence and trust in the local authority by people with protected characteristics that may use our services and facilities.</p> <p>Members should note that further analysis of the impacts of the proposed schedule of cost reductions and suggestions for mitigating any impacts identified, will need to be brought forward at the time these are being considered.</p> | |
|--|--|--|

15 SUPPLEMENTARY REPORTS AND APPENDICES

The following documents are to be published with, and form part of, the report:

Open Appendices:

| Agenda pack label | Document Title |
|-------------------|--|
| Appendix A | Appendix 1: Site Location |
| Appendix B | Appendix 2: Key Council Decisions |
| Appendix C | Appendix 3: List of Committee Meetings |
| Appendix D | Appendix 4: Project Team |
| Appendix E | Appendix 5: List of Member Engagement |
| Appendix F | Appendix 6: List of Community Engagement |
| Appendix G | Appendix 7: Indicative Master Programme |
| Appendix H | Appendix 8: Marlowe Theatre Visit Summary |
| Appendix I | Report 1: Design & Site Assembly |
| Appendix J | Report 1: Appendix 1: Historic England Statement |
| Appendix K | Report 1: Appendix 2: Design South East Panel Letter |
| Appendix L | Report 1: Appendix 3: Response to Design South East |
| Appendix M | Report 2: Procurement |
| Appendix N | Report 2: Appendix 1: GVA - Construction Procurement Strategy Options & Recommendation |
| Appendix O | Report 3: Civic Complex |
| Appendix P | Report 3 Appendix 1: Tunbridge Wells Town Hall and Assembly Hall Brief September 2017 |
| Appendix Q | Report 3 Appendix 2: Civic Site Alternative Uses Report |
| Appendix R | Report 4: Project Financials |
| Appendix S | Report 4: Appendix 1: Construction Costs |
| Appendix T | Report 4: Appendix 2: Business Plan for the proposed new Theatre (Bonnar Keenlyside) |
| Appendix U | Report 4: Annex to Appendix 2: Theatre Business Plan Budget |
| Appendix V | Report 4: Appendix 3: Consolidated Business Case |
| Appendix W | Report 4: Annex to Appendix 3: Consolidated Business Case NPV 1 |
| Appendix X | Report 4: Annex to Appendix 3: Consolidated Business Case NPV 2 |
| Appendix Y | Report 4: Appendix 4: Mid Kent Audit review of the Civic Development Project |
| Appendix Z | Report 4: Appendix 5: CIPFA review of the Civic Development Project |

Exempt Appendices:

Exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended): Information relating to the financial or business affairs of any particular person including the authority holding that information.

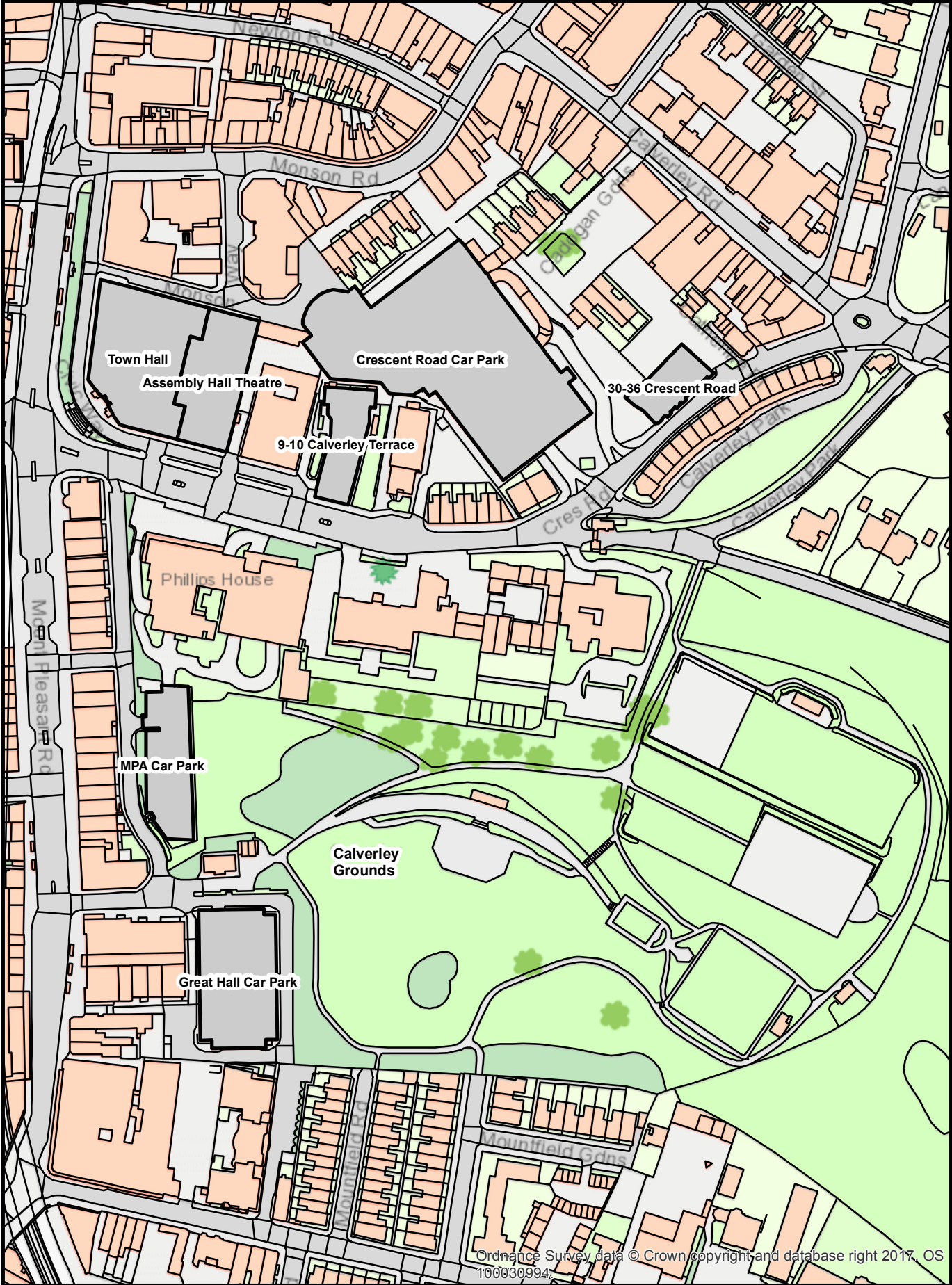
| Agenda pack label | Document Title |
|--------------------------|--|
| Exempt Appendix A | Exempt Appendix 1: Covering Report Supplementary |
| Exempt Appendix B | Exempt Report 1: Appendix 1: Site Assembly Strategy |
| Exempt Appendix C | Exempt Report 1: Appendix 2: Site Assembly Schedule |
| Exempt Appendix D | Exempt Report 1: Appendix 3: One Tunbridge Wells Marketing Update Report |
| Exempt Appendix E | Exempt Report 1: Appendix 4: One Tunbridge Wells Summary Report |
| Exempt Appendix F | Exempt Report 3: Appendix 1: Civic Site Report indication of Value |
| Exempt Appendix G | Exempt Report 3: Appendix 2: SMT Findings Report |

16 BACKGROUND PAPERS

Redacted RIBA Stage 3 documents:

<http://www.tunbridgewells.gov.uk/business/enterprise-and-regeneration/regeneration/civic-complex-development>

SITE LOCATION PLAN



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Key Council Decisions

Cabinet CAB66/14 - 30 October 2014

Assembly Hall Theatre (AHT) Update

The decision at Cabinet on 30 October was:

- That approval for the use of reserves of £1,135,000 to carry out essential work to improve the Assembly Hall Theatre as part of the 2015/16 capital programme be recommended to Full Council;
- That the Deputy Chief Executive, in consultation with the Leader of the Council, the Portfolio-Holder for Finance and Governance and the Section 151 Officer, be authorised to investigate all options for the financial viability of delivering a new theatre on, or adjacent to, the civic complex, or Council owned land in Royal Tunbridge Wells;
- That the Deputy Chief Executive, in consultation with the Leader of the Council, the Portfolio Holder for Finance for Governance and the Section 151 Officer, be authorised to approve the required funds and professional expertise for this, from the development programme budget; and
- That the Deputy Chief Executive ensures that the Development Advisory Panel is engaged as appropriate during the process.

Full Council FC41/15 – 9 December 2015

Assembly Hall Theatre Mandate and Next Steps

At the end of the feasibility work Cabinet on 3 December 2015 and Full Council on 9 December 2015 respectively agreed to move to **Stage 1**. A decision in October 2015 to progress with the office proposal had already been taken in advance of the full project being considered in December. Full Council, resolved for:

- the provision of a new theatre with a larger auditorium to accommodate a wider range of productions and therefore a greater offer to the visitor
- Provision of an office for the Council (including the civic function) and for a tenant on Mount Pleasant Avenue Car Park.
- Provision of a parking facility to support the new developments.
- A Masterplan Framework document to place the proposed developments in the context of the planning policies and place shaping ambition for the Town Centre.

Full Council FC18/16 – 20 July 2016

Civic Complex Review of Stage 1 and Next Steps

At the end of Stage 1, Full Council on the 20 July 2016 resolved to move into **Stage 2**:

- all consultancy fees identified in the report are spent at risk and that they will be abortive costs if the buildings are not developed.
- the Council has moved into RIBA Stage 2 (concept design) for the project to progress:
 - Office
 - Theatre

Appendix B

- Underground Car Park
 - Masterplan
 - Procurement of a development partner
-
- That the Great Hall Car Park is the preferred site for the new theatre.
 - That Calverley Grounds is the preferred site for an underground car park.
 - That the authority to move into RIBA Stage 3 (developed design) for the project be delegated to the Portfolio Holder for Finance and Governance, the Leader, the S151 Officer and the Director for Planning and Development.
 - That authority be delegated to the Director for Planning and Development, the S151 Officer and Monitoring Officer in consultation with the Leader and Portfolio Holder for Finance and Governance, to enter into a formal agreement for lease with the prospective tenant on appropriate market terms, and that the principle of the capital commitment of doing so is recognised, and the financial risk if the commitments in the agreement to lease are not fulfilled, be recognised.
 - That the Council approves the allocation of £2 million from the General Fund to the Capital and Revenue Initiatives Reserve and that this sum is vired into the Development Programme Budget.
 - That the S151 Officer in consultation with the Portfolio Holder for Finance and Governance is requested to bring back a report to a future meeting with options to address the revenue implications for funding the capital cost of the project, when or before the capital request is being considered.

Full Council FC70/16 - 22 February 2017

Civic Development - Delivery of Stage 3

At the end of Stage 2 Full Council on the 22 February 2017 agreed to progress into **Stage 3**:

- all consultancy fees identified in the report are spent at risk and that they will be abortive costs if the buildings are not developed.
- the Council moves into RIBA Stage 3 (developed design) for the project to progress:
 - Office
 - Theatre
 - Underground Car Park
 - Development Framework
 - Procurement of a development partner

TWBC Committee Meetings

| | |
|-------------|---|
| 7 Oct 2014 | Finance and Governance CAB Item 6 - Assembly Hall Theatre (AHT) Update |
| 30 Oct 2014 | Cabinet Item 8 - Assembly Hall Theatre (AHT) Update |
| 5 Oct 2015 | Planning and Transport CAB Item 7 - Mount Pleasant Avenue - Office Accommodation |
| 6 Oct 2015 | Finance and Governance CAB Item 8 - Mount Pleasant Avenue - Office Accommodation |
| 29 Oct 2015 | Cabinet Item 8 - Mount Pleasant Avenue - Office Accommodation |
| 10 Nov 2015 | Finance and Governance CAB Item 11 - Assembly Hall Theatre Mandate and Next Steps |
| 3 Dec 2015 | Cabinet Item 13 - Assembly Hall Theatre Mandate and Next Steps |
| 9 Dec 2015 | Full Council Item 8 - Assembly Hall Theatre Mandate and Next Steps |
| 7 Jun 2016 | Finance and Governance CAB Item 11 - Civic Complex Review of Stage 1 and Next Steps |
| 20 Jun 2016 | Overview & Scrutiny Committee Item 7 - Civic Development |
| 22 Jun 2016 | Cabinet Item 11 - Civic Complex Review of Stage 1 and Next Steps |
| 20 Jul 2016 | Full Council Item 8 - Civic Complex Review of Stage 1 and Next Steps |
| 15 Aug 2016 | Overview & Scrutiny Committee Item 8 - Civic Development |
| 31 Oct 2016 | Overview & Scrutiny Committee Item 8 - Civic Development |
| 28 Nov 2016 | Overview & Scrutiny Committee Item 7 - Civic Development |
| 13 Feb 2017 | Overview & Scrutiny Committee Item 7 - Civic Development |
| 22 Feb 2017 | Full Council Item 14 - Civic Development - Delivery of Stage 3 |
| 10 Apr 2017 | Overview & Scrutiny Committee Item 7 - Civic Development |
| 12 Jun 2017 | Overview & Scrutiny Committee Item 8 - Civic Development |
| 26 Jul 2017 | Full Council Item 12 - Petition Civic Development |
| Aug 2017 | Overview & Scrutiny Committee Item 6 – Civic Development |
| 23 Oct 2017 | Overview & Scrutiny Committee Item 6 – Civic Development |
| 13 Nov 2017 | Planning & Transportation CAB – Civic Development |
| 13 Nov 2017 | Finance & Governance CAB – Civic Development |
| 15 Nov 2017 | Communities CAB – Civic Development |

Project Team

| | |
|---|------------------------------------|
| Project Leader: | GVA |
| Project Manager: | GVA |
| Development Adviser: | GVA |
| Planning Consultant: | GVA |
| Cost Consultant: | AECOM |
| Architect: | Allies and Morrison |
| Heritage Consultant: | Built Heritage |
| Landscape Consultant: | Townshends |
| Theatre Consultant: | Theatre Projects |
| M&E Engineer: | Max Fordham |
| Structural Engineer: | Price & Myers |
| Access Consultant: | All Clear Design |
| Transport Consultant: | Vectos |
| Fire Consultant: | The Fire Surgery |
| Right to Light Consultant: | Point 2 Surveyors Limited |
| Catering Consultant: | Tricon Foodservice Consultants Ltd |
| BREEAM Consultant: | Price & Myers |
| Temporary Works and Soil Consultant: | CGL |

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Engagement with Tunbridge Wells Councillors

| | |
|----------------|---|
| 22 Sept 2014 | Development Advisory Panel – AHT Update draft cabinet Report discussion |
| 15 Dec 2014 | Development Advisory Panel - AHT Mandate Update and brief |
| 14 Jul 2015 | Development Advisory Panel – Civic Complex review of interim options |
| 17 Sept 2015 | Group Briefing (Conservative) – Mount Pleasant Avenue |
| w/c 28 Sept 15 | Group Briefings (Labour and Lib Dem) – Mount Pleasant Avenue |
| 13 Oct 2015 | Group Briefing (Conservative) – AHT Mandate report and an update on MPA |
| 14 Oct 2015 | Group Briefings (Labour and Lib Dem) - AHT Mandate report |
| 22 Oct 2015 | Development Advisory Panel – Civic Complex AHT Mandate update and Office Accommodation |
| 20 Apr 2016 | Presentation of the early concept design to a full meeting of the members of TWBC, followed by a question and answer session. |
| 25 May 2016 | Presentation of the concept design to a full meeting of the members of TWBC, followed by a question and answer session. |
| 1 June 2016 | Members Briefing - Review of Stage 1 and next steps |
| 6 June 2016 | Development Advisory Panel – Review of Stage 1 and next steps |
| 7 Sep 2016 | Presentation of the developing design to a full meeting of the members of TWBC, followed by a question and answer session. |
| 28 Nov 2016 | Development Advisory Panel – Update on the Stage 2 design and position |
| 20 Dec 2016 | Development Advisory Panel – Presentation on Stage 2 design and position |
| 16 Jan 2017 | Presentation of the Stage 2 design to a full meeting of the members of TWBC, followed by a question and answer session. |
| 16 Feb 2017 | Members Briefing – Stage 2 civic update |
| 21 Mar 2017 | Development Advisory Panel – Update on Stage 3 remassing of design |
| 11 Apr 2017 | Presentation to TWBC members of the developed design reflecting community input at the previous meeting, followed by a question and answer session. |
| 19 Jun 2017 | Members civic site tour. Other dates also arranged. |
| 19 June 2017 | leadership Board with Chairs of Committees |
| 26 Jun 2017 | Development Advisory Panel – Stage 3 interim design freeze and position |
| 18 Jul 2017 | Members Briefing – Stage 3 interim design freeze and position |
| 8 Aug 2017 | Members Briefing – Stage 3 Civic update |

Appendix E

| | |
|-------------|---|
| 15 Sep 2017 | Councillor Convention update followed by a question and answer session. |
| 9 Oct 2017 | Development Advisory Panel – Stage 3 reports design and position |
| 16 Oct 2017 | Members Briefing - theatre |
| 17 Oct 2017 | Members Briefing – stage 3 reports design and site assembly |
| 19 Oct 2017 | Members Briefing – stage 3 reports finance |
| 23 Oct 2017 | Group Briefing - Labour |
| 23 Oct 2017 | Group Briefing - Lib Dem |
| 26 Oct 2017 | Group Briefing - Conservative |
| 25 Oct 2017 | Trip to Marlowe Theatre, Canterbury |
| 2 Nov 2017 | Members Briefing – civic update |
| 29 Nov 2017 | Members Briefing – civic update |

Engagement with community stakeholders

| | |
|---------------|--|
| 13 July 2015 | Historic England meeting on Civic Development |
| 28 Oct 2015 | Media Briefing on AHT Mandate |
| 26 April 2016 | An evening workshop was held at Calverley House, involving around 30 local stakeholders introducing the project |
| 2 June 2016 | Historic England meeting on Civic Development |
| 16 June 2016 | An evening at the AHT with a presentation and workshop to further inform the development of the scheme. |
| 3 Nov 2016 | Presentation of the early theatre design to theatre stakeholders in and around Royal Tunbridge Wells, followed by questions and discussion. |
| 7 Nov 2016 | Presentation of the scheme to the Friends of Calverley Grounds, followed by questions and discussion. |
| 7 Nov 2016 | Presentation of the scheme to Tunbridge Wells business stakeholders, followed by questions and discussion. |
| 9 Dec 2016 | Presentation of the scheme to residents of Grove Hill House, followed by questions and discussion. |
| 24 Jan 2017 | Presentation of the Stage 2 design to a combined meeting of community stakeholders, the Friends of Calverley Grounds, the Town Forum, theatre stakeholders, and Grove Hill House residents, followed by a question and answer session. |
| 10 May 2017 | Presentation to Friends of Calverley Grounds of the developed design reflecting community input at the previous meeting, followed by questions and discussion. |
| 10 May 2017 | Presentation to the Town Forum of the developed design reflecting community input at the previous meeting, followed by questions and discussion. |
| 10 May 2017 | Presentation to residents of Grove Hill House of the developed design reflecting community input at the previous meeting, followed by questions and discussion. |
| 23 May 2017 | Presentation to residents of Calverley Park of the developed design reflecting community input at the previous meeting, followed by questions and discussion. |
| 22 Jun 2017 | Meeting with Historic England – civic update |
| 18 Jul 2017 | Presentation of further scheme development to theatre stakeholders in and around Royal Tunbridge Wells, followed by questions and discussion. |
| 20 Jul 2017 | Presentation of further scheme development to the Town Forum, followed by a question and answer session. |
| 26 Jul 2017 | Presentation to local businesses, followed by a question and answer session. |
| 9 Aug 2017 | Presentation of further scheme development to the Friends of Calverley Grounds, followed by questions and discussion. |

Appendix F

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| 9 Aug 2017 | Presentation of further scheme development to residents of Grove Hill House, followed by questions and discussion. |
| 14 Aug 2017 | Presentation of further scheme development to residents of Calverley Park, followed by questions and discussion. |
| 15 Aug 2017 | Presentation to Pantiles Trader Association, followed by a question and answer session. |
| 5 Sep 2017 | Presentation to Parish Chairmen's Group. |
| 5 Sep 2017 | Presentation to Pantiles Traders at their AGM, followed by a question and answer session. |
| 16 Sep 2017 | Presentation to West Kent Chamber of Commerce, followed by a question and answer session. |
| 16 Sep 2017 | Calverley Grounds Playground Opening |
| 20 Sep 2017 | Engagement with Rusthall Village Association |
| 25 Sep 2017 | Verbal update with the Access Group |
| 27 Sep 2017 | Verbal update at TCHG Summit |
| 28 Sep 2017 | Awareness event in Calverley Grounds Café |
| 29 Sept 2017 | Presentation to Creatives within Tunbridge Wells, followed by a question and answer session. |
| 2 Oct 2017 | Presentation to businesses on Mount Pleasant Road, followed by a question and answer session. |
| 3 Oct 2017 | Awareness event with Ladies that Latte |
| 3 Oct 2017 | Digital question and answer session on Facebook |
| 5 Oct 2017 | Awareness event with Kim Medcalf Coffee morning |
| 5 Oct 2017 | Presentation to Tunbridge Wells Labour Party members, followed by a question and answer session. |
| 11 Oct 2017 | West Kent Chamber of Commerce networking engagement |
| 13 Oct 2017 | Awareness event to Friends of Dunorlan Park |
| 18 Oct 2017 | Presentation to Pembury Village Society, followed by a question and answer session. |
| 28 Oct 2017 | Public Engagement – Vestry Hall, Cranbrook |
| 30 Oct 2017 | Labour Group meeting |
| 1 Nov 2017 | Local Business Briefing, followed by a question and answer session. |
| 3 Nov 2017 | Briefing to AXA PPP at Crescent Road |
| 4 Nov 2017 | Public Exhibition Event – Southborough Library |

Appendix F

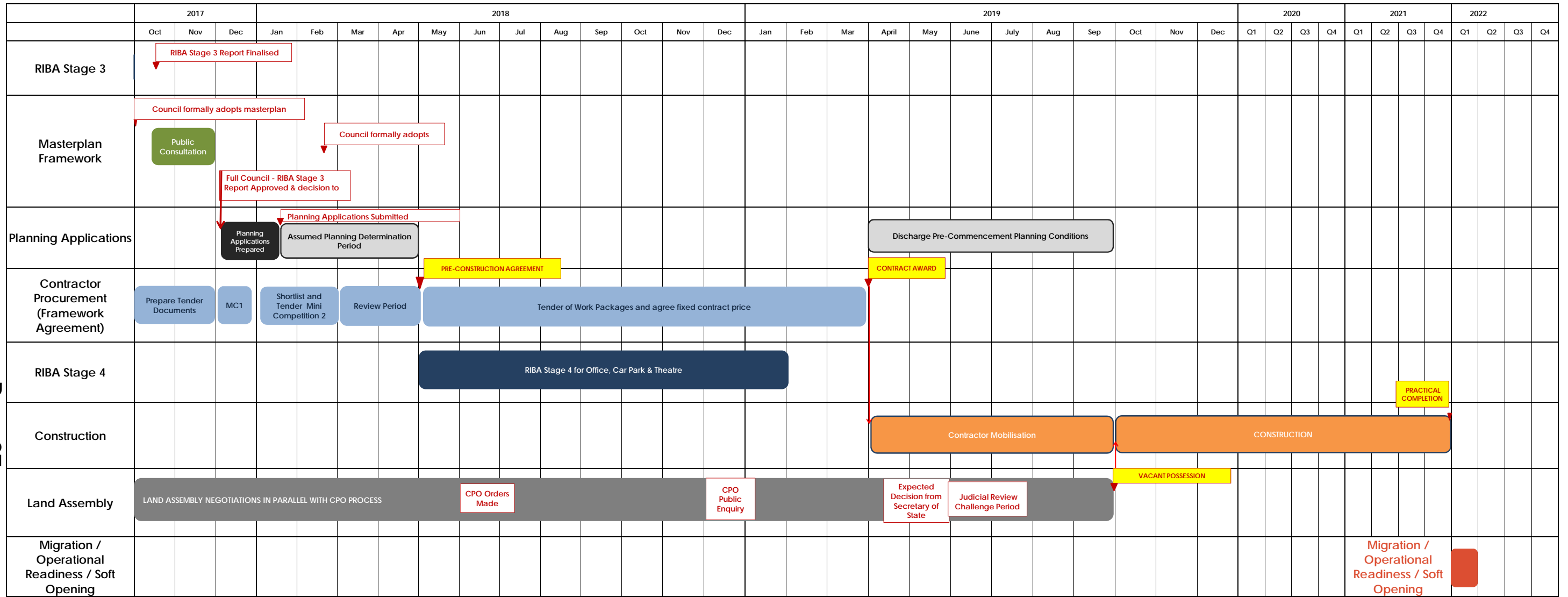
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| 7 Nov 2017 | Public Exhibition Event – Paddock Wood Library |
| 10 Nov 2017 | West Kent Chamber of Commerce Briefing |
| 11 Nov 2017 | Public Exhibition Event – Royal Victoria Place |
| 16 Nov 2017 | Presentation to Town Forum, followed by a question and answer session. |
| 17 Nov 2017 | Meeting with Greg Clark MP |
| 27 Nov 2017 | Presentation to Access Group, followed by a question and answer session |

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Tunbridge Wells Borough Council
 Civic Centre Complex Project
 Master Programme Rev 5 (Simplified Block Format)

Date: 3rd November 2017



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TWBC fact-finding visit to the new Marlowe Theatre, 25 October 2017.

The Marlowe Theatre is a 1200 seat theatre in Canterbury, rebuilt between March 2009 and October 2011. The previous theatre had been adapted from a cinema in the early 1980's and seated approximately 950.

The subsidy to the theatre has reduced from £400k per annum during the penultimate year of operation of the old theatre, to zero in the most recent financial year.

The economic impact of the theatre, measured using the Shellard formula, was £13m for the penultimate year of operation of the old theatre, £23m in its first full financial year and £33m in the most recent financial year.

A group of 24 Councillors and Officers attended a fact-finding visit to the new Marlowe Theatre. The visit comprised of a tour of the theatre, a Q&A panel with Councillors, Officers and local businesses, lunch and networking, followed by the option of viewing the stage production of 'Grease' the Musical.

The tour of the theatre highlighted the need to use expert advice in the design and build of the auditorium, backstage and other areas of the theatre. The approach of the architect at the Marlowe was to aim for an intimate auditorium with a feeling of warmth and tradition.

Their brief was for a mixed programme of theatre and resulted in a 'general' acoustic. It is considered to be fantastic for spoken word and natural sound but also excellent for electrically amplified sound. The Marlowe emphasised the importance of having a range of acoustic options. The Marlowe's audience are educated and discerning about their seat position. Shows tend to sell from the top of the auditorium downwards for symphony performances, because it is in the upper circle where the sound is considered best.

Interesting details about the auditorium design were shared - the seats were originally going to be cloth upholstered but the decision was taken to use leather instead, based on it being cheaper over the course of 25 years. However, the hard leather caused sound issues when the auditorium was only partially full. Consequently, the underneath of each seat is perforated, which absorbs the noise in the same way an upholstered seat would.

The front two rows of seats can be removed individually to cater for different sizes of bands, choirs or orchestras depending on the performance. Beyond that, a further 3 rows of seats can be removed in total for a full orchestra such as that for Glyndebourne touring events. The front five rows comprise a total of 104 seats,

Appendix H

which is lost revenue potential. There are novel ways to deal with this including, as they do for most commercial musicals, putting the band up on the stage (as was the case for Grease) or for their panto, where the band were placed into the boxes on either side.

The design of the auditorium seating was undertaken using computer analysis of sight lines. The patron's experience is of being surrounded by the audience and sharing their experience of a performance which is over and above sitting at home watching TV or going to the cinema. It was noted that the box seats on either side were offered for sale at half the price of the least expensive seats elsewhere in the auditorium, due to the restricted views from them. The auditorium is not air conditioned - they have air handling to move air around and heat air up, but not air conditioning to cool down.

On the back of many seats was a plaque dedicated to a donor. Each plaque represented a £500 donation to the theatre. Not all seats have a plaque and the Marlowe indicated it was a fundraising campaign that was currently on hold but could be resurrected at any time if required. A 1200 seat theatre could attract donations of up to £600,000 through such a scheme. It should also be noted that even the lift had been sponsored and a full list of all major benefactors could be found in the main foyer on the ground floor. £4.5m in total was raised through donations and other fundraising schemes. Fundraising Schemes were advised, by the Marlowe's consultant, to be less successful until a build decision has been made and people can see the project progressing.

Moving to the stage and backstage area, the group ascended the fly tower to observe the 48 multi-purpose bars / bays used to suspend the scenery, lights and other equipment used for shows. There is 18.4m from the stage to the bars / bays in the fly tower. Each is able to lift a tonne of weight and the heaviest items lifted so far are 5.5 tonnes for Cats and Dirty Dancing.

Although The Marlowe Theatre is a substantial rebuild, the original stage and fly tower were retained. The technical team highlighted the need for a quality mechanical and electrical installation. The Marlowe shared problems experienced between the contractor and the architect and some problems they were still having with parts of it not fully functioning. However, the highly skilled theatre team are able to deal with and work around the problems experienced.

The group learnt of some constraints the Marlowe had to work within - part of the building is on a flood plain (the back of the building is on stilts) and so they were unable to increase the footprint of that part of the building, although they were able to reconfigure it.

Following the tour of the theatre, the group heard from a panel of officers, councillors and local business people from Canterbury at the surrounding area.

- Colin Carmichael, the Chief Executive of Canterbury City Council
- Chief Executive of Canterbury Connected BID (Business Improvement District)
- Ben Fitter-Harding, a Canterbury City Councillor and Chair of the Regeneration Committee, also owns a local creative studio.

Appendix H

- A local businessman running a manufacturing organisation in Herne Bay
- The Business Development Manager at a local hotel, which has two restaurants attached to it and is within a short distance of the theatre.
- Paula Gillespie – Theatre Director
- Mark Everett – retiring Theatre Director

The following summarises the information shared by the respective panel members.

Colin Carmichael, Chief Executive of Canterbury City Council explained how a core of 10 officers comprising of a project manager, core theatre officers, head of service, quantity surveyors, finance and planning staff members delivered the project. There was also a Councillor working group, cross party in composition, who met once a month and had input into the selection of the architect and other matters.

Mr Carmichael explained how the origins for the new Marlowe Theatre date back to a bid to be the European Capital of Culture. Though the bid was ultimately unsuccessful, the process of discussing the bid led to a cross party consensus that rebuilding the theatre was something that the Council ought to do. Although there was a huge amount of debate all the way through the rebuild, there was never an opposition to it, everybody agreed that improvement was necessary.

The Council committed in principle in 2000 to doing something - a refurbishment or a rebuild. The Council had to do a lot of work looking at both options. They had to look at the refurbishment to work out the cost and how close those costs would be to a full rebuild.

The costs were for £10-11m refurbishment within the shell, with £24m for a full rebuild, including £3.5m of land purchase - an old garage (which had to go through a CPO process).

Relocation as a possibility was also considered due to the prolonged closure of the theatre associated with a rebuild. Canterbury City Council looked at a number of different sites but limitations on available sites and planning constraints within the city meant the only realistic option was the Old Tannery on the outskirts of the city, near the ring road.

A trip to Milton Keynes persuaded Canterbury to keep their theatre in the city. Milton Keynes' theatre is on the outskirts and outside of performance times is lifeless and doesn't give anything else back to the area.

Councillors weighed up the risk to keep the theatre at its present location - closure was a risky option as they didn't know if audiences would return. Their economic impact research (using Shellard) showed there was probably going to be a successful operation but the panel intimated that it is possible to do studies and assessments "until they come out of your ears". Ultimately Councillors had to take a leap of faith and so took the decision to rebuild the theatre in 2002/3.

Stage 2 costs came back higher than first estimates, at between £28-30m. They undertook value engineering to reduce the costs by £2.5m and went out to tender. By this time, the financial crisis had hit and bids came back much lower due

Appendix H

to the recession. The team were in the happy situation of being able to put back most of the items they had value engineered out, to arrive at a final cost of £19m.

During the two year closure for the rebuild, the Marlowe kept its name alive through outreach work in St Augustine's Abbey and holding the panto in a marquee in a car park. The intention was to keep the name alive in everybody's memory, rather than to generate revenue.

In return for the £19m cost of the theatre, the Council expected the theatre subsidy to reduce to zero within a reasonable timescale. In the last year of operation of the old Marlowe Theatre, the subsidy was £400k per annum and it is now down to zero after 4 years of operation. The theatre will now be put out to a charitable trust to run it in order to be more successful.

The new Marlowe Theatre opened 5 years ago. The capital project did not overspend but the revenue operation was overspent in the first 6 months of operation as they found forecasting for an unknown operation very difficult. Although they received some negative press coverage about this, the publicity since then has been positive.

The Chief Executive of Canterbury Connected explained that there are 600+ businesses in Canterbury's BID. They had always supported the theatre, as any centre thrives on footfall and consequently businesses were concerned about the possibility of a peripheral theatre.

He gave his view that town centres have changed to become more experiential. He explained that it is critical to make as many small improvements and additions to the experience to make it worthwhile coming and the Theatre provides so many opportunities for those moments. He also stated that Canterbury without the Marlowe is unimaginable.

The introduction of HS1 (high speed one train line) helped to prop things up when the Pfizer site closed but now people are choosing to live in Canterbury because they can get to London quickly by train. The quicker train journey allows people working in London to get back to Canterbury in time to go out to the theatre.

A local businessman shared the experience of his hotel during the rebuild and following its reopening. He explained that when the site shut down, the whole area of town around it went very flat, like someone pulled the plug on the life support, the business almost went under. The restaurants attached to the hotel just couldn't work without the theatre.

He related that it is hard to sum up the benefits of the new theatre - they're largely intangible and invisible. Since the Marlowe reopened it has brought employment to all the businesses around. Those that had 2 or 3 waiting staff and 1 chef now have 10 waiting staff and 3 chefs. He stated that there are now two jewels to the City - the Cathedral and the Marlowe Theatre and urged those present to be brave and go for it.

Ben Fitter-Harding, a Councillor who also owns a creative studio close to the theatre, felt that the quality and quantity of restaurants and bars has got better, possibly because of the Marlowe. He also believes that creative industries will continue to grow thanks to the potential of this “phenomenal asset”.

He explained that the theatre will be going out to a charitable trust in January, but will still be a council owned building – he felt it was akin to a child growing up and needing to leave home. Mr Fitter-Harding further explained that the local heritage museum is closing and will be handed to the Marlowe to run as part of the theatre.

A businessman in Herne Bay explained that although the Marlowe Theatre does not directly impact his business, he felt it was our duty as people of the world to leave the world in a better place. He set the decision in clear terms - if your theatre is currently going downhill and going backwards, and you then look five years ahead where do you expect it to be? His challenge was whether that was really what councillors who have been voted in have been asked to support.

He also shared his experience of fundraising. The Council set up a charitable trust to handle the fundraising and employed a consultant to write a strategy. Fundraising continued through the design and build and achieved its target by the end of the project. The advice was not to ask for anything in the very beginning – demonstrate a viable project first and a vision that people can buy into.

Mark Everett, retiring Theatre Director, responded to questions about the Shellard formula. Mr Everett understood people’s cynicism about the Shellard formula but countered that it’s a hugely helpful way of calculating a theatre’s economic impact. Mr Everett’s observation was that because you are using the same formula to measure performance, you can demonstrate that there has been growth over time. Even if the reality is half of what the formula predicts, it is still a lot of economic growth from the old to the new theatre.

Shellard economic impact:

- £13m – penultimate year of the old theatre
- £21m – predicted impact of new theatre
- £23m – 1st full financial year
- £33m – most recent financial year.

Mr Everett shared that the catering offer was not right to begin with and lost money in the first 6 months. They completely rethought it, made changes after a year and now food & beverage contributes towards finances.

Ms Paula Gillespie and Mr Everett shared some further key information about the Marlowe Theatre during the tour.

- The first six months of performances following the reopening were sold out. Since then the average ticket sales per performance have been 923. The average ticket sales per performance at the old theatre were 710.
- The Marlowe sells up to 400,000 tickets for over 400 performances a year.
- The audience comprises of very few tourist or students, despite their contribution to the overall economy of the city. The vast majority of patrons are from the local area.
- The pantomime turns over £2m per year.

Appendix H

- A greater capacity of 1500 seats was never considered, 1200 was always considered the right number of seats.
- There is no coach drop off outside the theatre. This is an issue for the theatre, as audiences have to walk approximately 5-10 minutes to the coach park. Neither is there any dedicated car parking, only a few disabled spaces.
- The Friends Group for the theatre is one of the strongest in the country with over 14,000 members.
- Booking fee goes completely to the Marlowe.

All Councillors and staff paid for their own ticket to the production of Grease.

Travel to and from the venue in Canterbury was provided by the Council.

| | |
|---|-------------------------|
| Planning & Transportation Cabinet Advisory Board | 13 November 2017 |
| Finance & Governance Cabinet Advisory Board | 14 November 2017 |
| Communities Cabinet Advisory Board | 15 November 2017 |
| Is the final decision on the recommendations in this report to be made at this meeting? | No |

1 – Design and Site Assembly

1 EXECUTIVE SUMMARY

- 1.2 This report covers the design to RIBA Plan of Works Stage 3 and the site assembly aspect of the Civic Development Project.
- 1.3 It summarises the principal design elements for Stage 3 of the office, theatre, underground car park and public realm including the principal site, building and material design criteria which has informed the overall design of the whole project and further summarises the specific design elements for the theatre, office, underground car park and public realm and landscaping.
- 1.4 It places the project design within the setting of the historic Calverley Grounds and the surrounding townscape and explains how massing, size and scale have been addressed through design to sit comfortably within this context and respect and complement the original Decimus Burton concept.
- 1.5 The report highlights how the designs have changed from Stage 2 to Stage 3.
- 1.6 It considers the transport and access arrangements for the scheme, the office and theatre servicing, access and inclusive design and neighbourly matters including rights to light and day light and sunlight and party wall matters.
- 1.7 The site assembly strategy and CPO process are summarised with the proposed timeline integrated into the project programme.
- 1.8 A summary of the Planning Pre-Application engagement is included and highlights that, as is usual practice for developers, we will be continuing our pre-application discussions and seeking to refine design and address issues through to a planning application being submitted. The report indicates those matters that need further discussion and highlights the fact that in a scheme of this scale there will be elements that the planning authority will need to consider against the broader benefits of the scheme to the town and the borough.

1.9 The report includes information on the engagement with the independent specialist bodies, Historic England and Design South East, which indicates their endorsement in principle to the overall design. These discussions will continue through the later RIBA design stages.

2 INTRODUCTION AND BACKGROUND

2.1 This report covers the design and site assembly aspects of the Civic Development project related to the following elements:

- A new 1,200 seat theatre;
- A new shared-use building including accommodation for civic functions and offices for the council and third party organisations;
- An underground car park, partly under the office building and extending under part of Calverley Grounds;
- Local remodelling of the public realm associated with the above buildings and car park.

2.2 The development is proposed on the Mount Pleasant Avenue and Great Hall car parks which are in the freehold ownership of the Council and will form the western edge to Calverley Grounds. The location of the car parks and Calverley Grounds is shown in the redacted Stage 3 documents. Overall the project includes the future development of the Civic Complex. The strategy and work carried out on the future of the current Civic Complex is contained in Report 3: Civic Complex.

2.3 The design and development of a new Theatre, Civic Centre, underground car park and public realm works has now reached the end of RIBA Plan of Work Stage 3 (Developed Design). It builds on the work carried out during RIBA Stages 0-1 (Strategic Definition, Preparation and Brief) and Stage 2 (Concept Design). The completion of RIBA Stage 3 is an important project milestone and gateway. The main bulk of the information contained in the redacted Stage 3 documents will be the basis of the planning application that the Council would submit to move the project forward and develop out the scheme.

2.4 Whilst TWBC owns the freehold of part of the site, to enable the development of the new offices and theatre, a number of freehold and leasehold interests and third part rights over the site are required. TWBC is intending to acquire these interests by agreement where possible. However, where sites are in multiple ownerships and occupations, compulsory purchase powers are usually required to assemble a site within the required timescales.

2.5 The site assembly strategy sets out the various methods of assembling the required land to facilitate the development including the use of compulsory purchase powers. It sets out recommendations and next steps for TWBC going forwards.

3 DESIGN & SITE ASSEMBLY

3.1 This report provides a consolidated update and assessment of the design and delivery strategy for the proposed Tunbridge Wells Civic Complex at the end of RIBA Stage 3 (Developed Design). It builds on the work carried out during RIBA Stages 0-1 (Strategic Definition, Preparation and Brief) and Stage 2 (Concept Design). The completion of RIBA Stage 3 is an important project milestone and gateway and subject to the Council's approval to proceed to planning, the design proposals contained in this report will form the basis of the planning application. However, it is not the end of the design process and further detailed briefing and design on many aspects such as the interior design and the choice of furniture will need to be carried out during subsequent stages.

4 THE SCHEME

4.1 The scheme includes the design and site assembly of:

- A new 1,200 seat theatre;
- A new shared-use building including accommodation for civic functions and offices for the council and third party organisations;
- An underground car park, partly under the office building and extending under part of Calverley Grounds;
- Local remodelling of the public realm associated with the above buildings and car park.
- Site, Context and Analysis

4.2 The design has continued to be developed through RIBA stage 3 having regard to the constraints and opportunities presented by the site, by its historic context and by the analysis undertaken through the previous RIBA stages and further undertaken through Stage 3. Decimus Burton's original vision has continued to be an underlying influence in the design to deliver the project objectives. These are detailed in the redacted Stage 3 documents.

4.3 The work during Stage 3 has also involved further surveys and investigations, enquiries and negotiations with adjacent landowners and highways authorities, working through the construction sequences and logistics and development and testing of the designs to a greater level of definition. The design work has encompassed, architecture, landscape architecture, civil, structural, mechanical, electrical and fire engineering with intensive involvement of highways and transportation, access, theatre, heritage and conservation, archaeology, arboriculture, town planning, sunlight and daylight assessors and construction cost specialists.

5 DESIGN

5.1 The design of the scheme has developed further having regard to the site strategy, the building strategy and the material strategy. Through RIBA Stage 3 the design of each element of the project, (the office, the theatre, the underground car park and the public realm) has also been developed further

within these principals respecting the contribution that each makes to the whole but respecting individuality where appropriate to ensure that the design is coherent and complementary but also that the particular uniqueness of the element is respected.

6 SITE STRATEGY

6.1 The site strategy is derived both from the objectives for Calverley Grounds, and from analysis of the townscape of Royal Tunbridge Wells. The intention is that the development sits within the topography and complements the surrounding townscape. The strategy follows a sequence of coherent steps, illustrated in the Stage 3 report, which result in the following key design elements:

- The new public square between Theatre and Office, forming the new entrance to both buildings, and linking Calverley Grounds with Mount Pleasant Road.
- Placement of two low, colonnaded pavilions facing on to it, containing the public uses of each building (the Theatre foyer, and the Office Public/Council spaces), and 'turning the corner' to present colonnaded pavilions to Calverley Grounds, as flanking elements to the entrance square.
- The main mass of each building (the Theatre auditorium, fly tower and back of house, and the Office main floors) to be pushed to the edges of the site, and screened by trees.

6.2 A further element of the site strategy is that in order to respond to the rise in level between Mount Pleasant Road and Calverley Grounds, the principal floor of each building (the Theatre main foyer and the Office Civic suite) will be at first floor level, evoking a classical 'piano nobile', and allowing the maximum possible interaction between principal public spaces and Calverley Grounds itself.

7 BUILDING STRATEGY

7.1 Each of the two main buildings is broken down into smaller elements. This softens their mass in relation to Calverley Grounds, and allows the element to match the smaller scale of the neighbouring architecture. It allows careful control of massing:

- Since each building has a different function and status within the townscape, and the topography is very different on each side of the valley, it allows for a picturesque composition of elements to either side of the square, rather than a monolithic screen of buildings.
- By disposing similar elements between each building, the relationship between the two buildings can be carefully controlled, establishing a fundamental harmony between them, but also allowing for diversity and contrast.

- 7.2 Breaking the two buildings down into smaller blocks allows them to sit comfortably in the landscape without overwhelming it, and reflects Royal Tunbridge Wells' townscape of relatively modest elements combining to create a dynamic overall impression. The design details reflect a modern interpretation of classical architecture and Decimus Burton's design principle. The disparate elements of the Theatre and Office are composed to sit sensitively in the landscape, carefully framing the new public square.
- 7.3 The composition of the buildings allows close control of massing. Larger elements, such as the theatre flytower, and the majority of the office space, can be placed in the background. The architecture in the foreground of Calverley Grounds will be limited in scale, human in quality, and dynamic in character. Both Theatre and Council Office follow the same strategy in responding to the site, and they have been conceived as a pair. They will not be identical, since their uses are so different, but shared materials and motifs will create a close but informal relationship between them, bringing coherence to the western edge of the park. Their mass reflects the function that they are to perform as part of the wider place-shaping of the Town Centre.
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8 MATERIAL STRATEGY

- 8.1 The material strategy reinforces the Building strategy. It:
- Balances coherence with the aspiration for a dynamic and varied edge to Calverley Grounds.
 - Reflects the dynamism of Royal Tunbridge Wells without losing unity.
- 8.2 Reflecting the diverse material of Royal Tunbridge Wells, whose buildings often match stone with brick, the two principal materials are proposed to be a pale buff brick, and off-white cast stone. This basic material palette harmonises well with the adjacent Great Hall Arcade, while the generally pale tonal palette evokes the classicism of Decimus Burton. The details of the materials will be further developed through continuing pre-application discussions with the Local Planning Authority and through the planning process.
- 8.3 **Massing – Size and Scale**
As experienced from Calverley Grounds, the massing provides two low colonnaded pavilions flanking the entrance square. The higher elements of the building (the Theatre auditorium roof and flytower, and the main Office floors) rise to north and south, reflecting the rise in landscape. Neither reaches the height of the AXA PPP healthcare headquarters.
- 8.4 This massing arrangement leaves a 'cleft' at the central square, whose surrounding buildings co-ordinate with the height of the existing buildings fronting Mount Pleasant Road. This 'cleft' allows for long views over the rooftops to the Common to be retained. The massing, scale and size of the theatre, the offices and the car park are discussed in more detail in the redacted Stage 3 documents.
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9 IMPACT

- 9.1 With regard to the impact of the development on the town centre generally, a Townscape Visual Impact Assessment has been carried out. Verified views are provided from a number of places within this zone, from locations agreed with Planning officers.
- 9.2 In addition, views within Calverley Grounds, chosen by the Friends of Calverley Grounds, and views from Grove Hill House, selected by Grove Hill House residents, have also been produced. These are shown in the redacted Stage 3 documents.
- 9.3 Images have been prepared showing longer views of the proposals from the west. These show that while the top of the Office block has some visibility, along with other taller buildings in this part of the town, the flytower is largely unseen.
- 9.4 It is inevitable that the proposals will have some impact on sun and shading patterns within Calverley Grounds. The shading diagrams in the redacted Stage 3 documents show the impact of the proposals at different times of day, and in different seasons. They show no impact at all before midday. Thereafter, the greatest impact is seen to occur in late afternoon during spring and autumn, and late in the evening during the summer.
- 9.5 A series of images has been prepared to test whether the proposals will have any impact on Mount Pleasant Road. (Images contained in the redacted Stage 3 documents). The images were taken from the west pavement, which would be the most affected. However, they show the proposed buildings to be almost completely invisible from all parts of Mount Pleasant Road.
- 9.6 Finally, a detailed assessment was made of how the proposals encroach onto Calverley Grounds, and where they expand the current area of Calverley Grounds. The changes are complex but are illustrated in the redacted Stage 3 documents. The proposed buildings cross the boundary of Calverley Grounds. However, the new square, providing additional public space at the entrance to Calverley Grounds, is partly constructed on land which falls outside Calverley Grounds, but will now come into public use, increasing public amenity. The basic areas of encroachment are shown in the diagrams in the redacted Stage 3 documents. Against this might be offset the amount of new public space created, through removal of buildings on Calverley Grounds, addition of new landscaped area to Calverley Grounds, replacement of roadways with public square, and by linking Calverley Grounds to the new roof terrace, which will be available to the public. While the overall encroachment is clearly demonstrated in the diagrams, the net impact is of an actual increase in public open space.
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10 THEATRE

- 10.1 The theatre has been designed to deliver a 1200 seat auditorium with the back of house and front of house facilities to be able to deliver the offer we are looking to present.

- 10.2 The details of the design are stated in the redacted Stage 3 documents and reflect the design principles that underpin the whole project design, to work with the topography, to compliment the historic integrity of Calverley Grounds and to fit into the surrounding Townscape, Key points are:
- The main foyer level is at first floor level, allowing it to relate to Calverley Grounds
 - The colonnade is limited to two storeys, as seen from Calverley Grounds, ensuring it is of human scale. The upper circle foyer is therefore detailed as a lightweight rooftop pavilion that opens onto a roof terrace above the main foyer bar.
 - The dressing room block addresses Calverley Grounds to the south of the main pavilion. This progressively steps down to the south, both so as to give prominence to the main colonnade, and so as to reduce impact on Grove Hill House. The part of the Theatre closest to Grove Hill House is therefore reduced to two storeys.
- 10.3 The Theatre's entrance elevation is therefore only of three storeys, with a set-back 'attic' above. The colonnade containing the main, double-height theatre bar is only of two storeys in its relation to the park. The dressing room block is only of two storeys adjacent to Grove Hill House.
- 10.4 The 'bulk' of the theatre is set back from these frontages. The highest point is the fly tower. This is a functional requirement, since touring shows typically require flying. It needs to provide sufficient height to ensure that touring shows are able to come to Royal Tunbridge Wells, fulfilling the primary cultural vision for the Theatre. Considering these criteria it has been possible to reduce the height of the flytower in the stage 3 developed design process to reduce its impact. The flytower is set back some way from Grove Hill House - the neighbouring building most obviously affected. Detailed dimensions are shown in the redacted Stage 3 documents.
- 10.5 It is intended that a deep planting bed be provided on the service yard roof, with a wire system to support dense climbing planting up the south face of the flytower.
- 10.6 The layout design has developed in detail from the design presented at Stage 2. The Stage 3 design is detailed in the redacted Stage 3 documents. The designs have been developed with the advice of the Design Team's accessibility advisor and have also been independently reviewed. The Access report and independent assessor's comments are in the redacted Stage 3 documents.
- 10.7 Indications of the type of materials that could be used are suggested in the redacted Stage 3 documents. These will be better informed as the final pre-application planning discussions take place and further developed as the project progresses through the next RIBA stage.

- 10.8 The auditorium layout has been driven by the need to create intimacy within a large performance room. Materials will be selected to reinforce this thinking. The auditorium must give audiences an unforgettable theatre experience. The Stage 3 Designs for the theatre auditorium are detailed in the redacted Stage 3 documents.
- 10.9 The service yard at the south end of the Theatre will be used both for theatrical servicing and for the catering and waste operation. It will be covered at the loading bay end to manage noise in relation to nearby residential properties. Its roof will be planted to improve visual amenity.

The servicing and operation design details are stated in the redacted Stage 3 documents.

11 THE OFFICE

11.1 The office building has been designed in accordance with the compositional principles derived from the site and building strategies that underpin the development. Key design elements are:

- The Public / Council areas are contained in a colonnaded pavilion that both provides the frontage to the square, and addresses Calverley Grounds to the east. It corresponds to the colonnaded foyer of the Theatre building.
- The main civic spaces are at first floor level, allowing them to relate to Calverley Grounds.
- The pavilion is limited to two storeys, as seen from Calverley Grounds, ensuring it is of human scale.
- The terrace above this frontage pavilion is at the same level as the northern part of Calverley Grounds. It will therefore be landscaped and made available to the public as part of the experience of Calverley Grounds, allowing users of the park to connect with the new square between Theatre and Office. The Calverley Grounds path network will be extended to link to this terrace.
- The west side of the office building, facing Mount Pleasant Avenue, will be further modelled, with a set-back top floor and dropped balcony, both to reduce its impact on Mount Pleasant Avenue, and to create a more broken modelling to respond to the terraced nature of the Mount Pleasant Avenue houses (see adjacent plan and sections).
- The frontage to the square is only three storeys high, and the frontage of the colonnaded pavilion only two storeys to the park. The main office block is only two storeys above park level, with a further set-back 'attic' storey above.

Appendix I

11.2 Detailed sections are contained within the redacted Stage 3 documents to show the relationship between the Office and the buildings along Mount Pleasant Road.

11.3 The office building is a proposed highly specified office building over ground and 5 upper floors. It will provide a new home for Tunbridge Wells Borough Council, but will also provide approximately 20,000 sq ft of private tenanted offices over three floors.

11.4 The revised design, following stakeholder engagement and planning pre-application discussions comprises the following lettable space:

| Floor | Size sq ft (sq m) | Floor to Ceiling height | Projected rent |
|-------|----------------------------|-------------------------|----------------|
| 2 | 1,836 (171 sq m) | 2700 mm | £27.50 psf |
| 4 | 11,237 (1,044 sq m) | 2775 mm | £27.50 psf |
| 5 | 7,070 (657 sq m) | 2715 mm | £27.50 psf |
| | 20,143 (1,872 sq m) | | |

11.5 A pre-let marketing campaign for c.20,000 sq ft of the tenant space at the office building has been underway since Q4 2016. A summary of the Tunbridge Wells Office market is contained in the Exempt Report 1 Design & Site Assembly Appendix 3: One Tunbridge Wells Marketing Update Report and Exempt Report 1 Design & Site Assembly Appendix 4: One Tunbridge Wells Report Summary.

11.6 The following marketing initiatives have been undertaken:

- Development of 'One Tunbridge Wells' brand by GKA (Property Marketing and Design Company)
- Bespoke four page brochure designed incorporating professional photography and CGIs
- Dedicated interactive website (www.onetunbridgewells.co.uk) including downloadable floorplans and brochure
- Distribution of brochure to South East office agents and targeted companies in Tunbridge Wells/Kent area
- Cover and inside front page advert in Commercial Property Register (circulation of 9,000 + occupiers and agents)
- Listings on all major property advertising websites including CoStar, NovaLoca, EGi and GVA website.

11.7 A number of alternative plans have been reviewed with the Architects as the Scheme has evolved through Stage 3, and have reached agreement on a proposed solution for this revised Massing Scheme as follows:-

- The floor plate to be capable of division into a west and an east unit to create two suites of approximately 5,000 sq ft each.
- A terrace is provided on the west and east frontages. This has the dual benefit of reducing the depth to window, and also adding an increasingly popular benefit.
- The Cores have been rationalised with the intention that there will be 3 passenger lifts (1 dual purpose as a Goods Lift) in the main core.
- The shower area at ground floor is accessible from the cycle store without walking through the reception.
- Car parking for the offices will be available within the building for the tenanted space, at a ratio of 1:500 sq ft subject to terms.

Office Marketing Strategy

11.8 The Stage 3 Scheme should be introduced to the market because it is quite different to the previous scheme.

11.9 The lack of office space in Tunbridge Wells is anticipated to have a further positive impact on rental growth in the Town. We understand that a further 20,000 sq ft of offices are to be lost to Permitted Development (Brooke House and Seymour House in Mount Ephraim Road and formerly occupied by Cripps Harries Hall).

11.10 As a result we are advised that were the Scheme available at the time of writing this Report, a rental of £27.50 psf would be achievable. Indeed if it was necessary to split floors, then the Suites overlooking Calverley Grounds would be likely to achieve a premium.

11.11 The Exempt Report 1 Design & Site Assembly Appendix 3: One Tunbridge Wells Marketing Update Report and Exempt Report 1 Design & Site Assembly Appendix 4: One Tunbridge Wells Report Summary, conclude that the proposed office is a well specified, and attractive office building with no current competition, and strong local demand, partly due to the effect of Permitted Development.

11.12 However the proposed completion date for the Scheme in 2022, over 4 years in the future, means this it is very unlikely that interest will be secured on the lettable space, until the delivery date is within 12 – 18 months, and the scheme is under way on site. The advice received is that the proposed office space is unlikely to pre-let for the reasons explained, but that if the building was under construction, the space would let prior to completion.

12 CAR PARK

12.1 The car park has been designed to take advantage of the existing topography at the north side of Calverley Grounds which is of a roughly level area above an escarpment (which is indicated in early maps of the area). While some

modification of contours is required (as detailed in landscape drawings in the redacted Stage 3 documents), this natural land form can accommodate a car park without a fundamental change to its form. Trees will be lost to allow for construction of the car park (as detailed below). None of these are Grade A and replacement tree planting will be undertaken. The significant trees in this area can be retained. Moreover, the below-ground massing of the car park allows for substantial replanting in deep soil along its south edge, and in deep pockets above the car park 'roof'. The whole car park structure allows for adequate soil depth and drainage for reinstatement of the Calverley Grounds landscape above it.

12.2 Located beneath the office, and extending eastwards below Calverley Grounds, the car park provides space for 261 vehicles, including 6 blue badge spaces, a like for like the current provision in The Great Hall car park, and 2 spaces for building management vehicles. Vehicles will enter and leave the car park at second floor level, from Mount Pleasant Avenue. A pedestrian entrance is also available at this level. The main pedestrian entrance is at ground level, next to (but separate from) the main office reception. An escape stair (used only in emergencies) is located to allow emergency exit at the north edge of Calverley Grounds.

12.3 The car park is designed as a spiral, descending through four floors from Office second floor to Office ground floor. Pedestrian circulation, fully accessible, is by a dedicated lift and stairs. Spaces are sized for modern vehicle use. Blue badge spaces are located by the entrance, and adjacent to the ground floor egress. Spaces are also provided for electric vehicle charging. 12 motorcycle spaces are provided, four at each level. The entrance level of the car park also provides servicing areas for the Office, including a loading bay available to vans, contractor parking, and a Facilities Management office.

13 TRANSPORT AND ACCESS

13.1 A transport consultant has been engaged in the design work and the pre-applications discussions with the Planning Department and KCC Highways. Their work included in the redacted Stage 3 documents provides the following information:

- Description of vehicular access, parking and servicing arrangements (including swept path analysis);

- Detailed highway design drawings showing necessary level changes;
 - Traffic forecasts for The Approach, the theatre service yard and the proposed car park;
 - Stage 1 Road Safety Audit relating to the proposed widening of Mount Pleasant Avenue;
 - A list of permanent and temporary Traffic Regulation Orders that will need to be necessary for construction and operation of the proposed development; and
 - Draft Delivery and Servicing Management Plans for the theatre and the office.
-

14 BRIEF DESCRIPTION OF ACCESS, PARKING AND SERVICING

- 14.1 The redacted Stage 3 documents outline the access arrangements and provide detailed analysis of the swept path for the vehicles that will be accessing and servicing the proposed developments.
- 14.2 **The Car Park** - Access to the multi-level underground car park under the proposed office will be directly from Mount Pleasant Avenue. Access to Mount Pleasant Avenue will be between 64 Mount Pleasant Road (Neals Yard Remedies) and 62 Mount Pleasant Road (TSB). From Mount Pleasant Avenue car park users will turn left in and right out. To facilitate this access it will be necessary to widen the bend on the corner at the rear of the TSB to enable two cars to pass and make the section of Mount Pleasant Avenue between the car park access and the widened bend two way. This will mean that vehicles accessing the car park do not need to go through the shared space (The Approach) to be provided between Carluccio's and the Great Hall.
- 14.3 In creating The Approach between Carluccio's and the Great Hall the existing taxi rank will be relocated to Mount Pleasant Road. In addition it is intended to narrow the carriageway. A raised table is proposed on Mount Pleasant Road on entry to The Approach for the benefit of people walking between the railway station and Calverley Grounds.
- 14.4 **Office Servicing** - All regular deliveries to the proposed office will take place from within the proposed car park using the same access as vehicles for the car park. Refuse will be collected from the street on Mount Pleasant Avenue and exceptional servicing such as removals will take place from the pedestrian area (The Square) in front of the proposed office being accessed from the Approach between Carluccio's and the Great Hall. Access for businesses and residents along Mount Pleasant Avenue will be from the Approach up hill. This is a reverse of the current one way.
- 14.5 **Theatre Servicing** - Goods vehicles relating to productions will approach the theatre service yard via The Approach to the north and exit via Hoopers service

yard car park. Goods vehicles will be required to reverse back onto the loading docks from within the Hoopers service yard car park. The swept path analysis indicates that vehicles will be able to access each of the docks at the rear of the Theatre independently (i.e. in no particular order).

14.6 In order to facilitate the development and these access arrangements a number of temporary and permanent Traffic Regulation Orders (TRO) will be required. In addition Vectos have undertaken traffic forecasts on the vehicular movements being proposed. To facilitate these servicing arrangements for both the Theatre and the office some management will be required. A draft service and delivery management plan has been prepared. These details are summarised in the redacted Stage 3 documents.

15 TRAFFIC FORECASTS

15.1 Day to day theatre servicing vehicles and stage door related vehicles will enter and exit the site via the Hoopers service yard car park.

15.2 Outbound production related vehicles will exit via the Hoopers service yard and car park. The likely vehicle numbers described above are summarised in the redacted Stage 3 documents.

16 SUSTAINABILITY AND SERVICES

16.1 The Theatre is designed to achieve BREEAM “Very Good”, but with significant enhancements beyond this level. These include:

- Natural ventilation to foyers, dressing and green room, offices
- Separate stage ventilation system to avoid use of full system except in performance
- Rooftop PVs
- Heat recovery on all ventilation systems
- Low energy / LED lighting with automatic switching and dimming
- Variable speed pump and fans
- Control of plant through CO2 monitoring
- Low water flow sanitary fittings

16.2 The auditorium will be ventilated by a displacement system, the most effective way of ensuring audience comfort. This requires plenums below seating rakes so that air can be supplied under seats at low velocity. Air is then removed at high level. Large ducts have been designed in to accommodate this strategy, with plant areas located both in the basement, and at high level. The foyer spaces will be naturally ventilated and this will be integrated into the design of the facades during the following stage. Plant is generally contained within the building envelope, other than some plant located behind screens at dressing room level.

16.3 The Office is designed to achieve BREEAM “Very Good”, but with significant enhancements beyond this level. These include:

- Layout maximises natural light
- Reversible cycle air source heat pumps for heating and cooling
- Rooftop PVs
- Heat recovery on all ventilation systems
- Low energy / LED lighting with automatic switching and dimming
- Variable speed pump and fans
- Control of plant through CO2 monitoring
- Low water flow sanitary fittings

16.4 Rooftop plant is located in an enclosure above the fifth floor office. Internal plant is located on the second floor adjacent to the Council Chamber / Flexible Space.

17 CONNECTION WITH TOWNSCAPE

17.1 The development has been designed to connect into the surrounding townscape. The new development’s principal focus and connection is towards Calverley Grounds however the other three edges of the site, towards north, west and south, connect it into the hard townscape of Royal Tunbridge Wells and have been designed and detailed accordingly.

17.2 The building to the north of the Office is the rear face of the AXA PPP healthcare headquarters, on higher ground facing onto Crescent Road. There are mature trees between the two buildings, making this elevation less significant than the others. Nonetheless, it has been detailed with care, following the same principles as the other elevations. The west and east elevations of the Theatre and Office need to reflect very different conditions. While the east elevations face Calverley Grounds, and can be seen – albeit screened by trees – in long views across the valley, the west elevations need to relate to the closer urban grain of Royal Tunbridge Wells. For this reason the massing of the west Office elevation is reduced (by setting back the fifth floor) and notched (around the fourth floor balcony), to create a modelled elevation whose broken outline and return faces reflects the terraced nature of the buildings opposite. Materials have been used to compliment the connectivity with the surrounding townscape.

17.3 The Theatre’s south elevation faces Grove Hill House, separated both by the covered service yard, and the west-east leg of Mount Pleasant Avenue. The service yard roof is planted with a mix of sedum and wildflower planting, providing a green ‘foreground’ to views of the building. It also includes a deep planting bed to allow the south elevation of the flytower to be covered with a rich variety of climbing plants. The upper levels of the flytower will be further decorated with grooves in the brickwork.

17.4 Meanwhile, the dressing room block and stage door, reduced to two storeys at the south elevation, will be detailed as a neat pavilion, composed around the Stage Door entrance, signage, and the Green Room window above.

- 17.5 The central focus of the east elevation addressing Calverley Grounds is the new entrance square flanked by colonnaded pavilions. Materials and design features are used to emphasize the primary or secondary nature of the facades and link the buildings together and with Calverley Grounds and the surrounding townscape.
- 17.6 The new square between Theatre and Office will not only bed the new buildings in the townscape of Royal Tunbridge Wells but also connect Mount Pleasant Road more effectively to Calverley Grounds. Landscape treatment of the square is discussed below. Elevations to the square reflect their townscape importance, and contain the main entrances to the two buildings. Planting on the new terrace will be visible from below, Creating a clear visual link with Calverley Grounds.

18 LANDSCAPING

- 18.1 The landscaping designs are included within the redacted Stage 3 documents and have been influenced by creating a modern representation of Decimus Burton's Arcadian landscape. A key objective of the proposal is to promote an evolving urban environment where quality of life is integral. The scheme will draw strong influence from the original Arcadian principles of Decimus Burton's work applied to the design of Calverley Grounds, reinterpreting them in a contemporary manner. This is to be achieved by strengthening the local connections to neighbouring areas and open spaces, through the creation of legible pedestrian routes and a new public space at the interface with Calverley Grounds, which lies within Special Identity Area of the Royal Tunbridge Wells Conservation Area.
- 18.2 The proposals described in the redacted Stage 3 documents are based on seven integrated principles to produce an attractive, distinctive and inclusive place which enhances the area's character and identity:
- Create locally distinctive spaces which respect the
 - architectural, historic and landscape quality of Royal
 - Tunbridge Wells.
 - Create public realm which responds to the activities
 - within the buildings .
 - Celebrate the history of the site and the Arcadian
 - principles of its landscape.
 - Enhance town's environment and ecology.
 - Create a legible hierarchy of streets and spaces that
 - will result in cohesive integrated place.
 - Comfort and safety.
 - Health and well being.
- 18.3 To ensure that the scheme becomes a vibrant new development within a highly sensitive area, it is key to consider the relationship between the buildings, public realm and listed Calverley Grounds. Public realm and new amenity space can

contribute significantly to the quality of the built environment in the Royal Tunbridge Wells town centre and play a key role in the creation of a sustainable community. Design development as part of the design process feedback from consultations was incorporated in the landscape proposals. Within the overall public realm and landscaping 67 trees will be removed. None are grade A. Significant trees can be retained. Circa 50 trees will be replanted. This will be finalised in pre app discussions.

19 CALVERLEY GROUNDS MANAGEMENT PLAN

- 19.1 The Council plans to appoint consultants to work with the Friends of Calverley Ground and other interested parties to develop a 10 year management plan for Calverley Grounds. The Friends will be consulted on the draft consultants brief.
- 19.2 Subject to consultation, the areas to be covered by the plan would include the development of an overarching vision and aims and objectives, consider sustainability, heritage and conservation issues, community involvement and future management and opportunities for funding.
-

20 ACCESS AND INCLUSIVE DESIGN

- 20.1 The Project has been designed in consultation with all clear designs to support the design development process undertaken by the design team. The Access Statement contained in the redacted Stage 3 documents contains an explanation of measures that will be incorporated within the proposals for the Civic Development to facilitate access and use by all people, and indicates how the design meets the required design standards, good practice guidance and Building Regulations access requirements.
- 20.2 The statement takes into account the needs of people with mobility impairments including wheelchair users and those with sensory and cognitive impairments. However, it is recognised that the issues considered in the report will affect the convenience of access for all occupants.
- 20.3 This Access Statement is based on the strategies set out in CABE guidance on Access Strategies, including:
- Explanation of policy and approach to access;
 - Sources of advice and guidance on accessibility;
 - Details of consultations undertaken or planned;
 - Details of access consultant involvement;
 - Explanation of specific issues affecting accessibility and details of access solutions adopted; and
 - Details of potential management policies and procedures to be adopted to enhance and maintain accessibility.
- 20.4 Areas where technical or other constraints have prevented or constrained the application of the principles set out in the above strategy are highlighted as

appropriate. The areas covered in the buildings include entrances, horizontal and vertical circulation, facilities and sanitary accommodation. At this stage, the statement does not cover operational aspects in detail, but it identifies and comments on areas where management procedures are likely to be required to ensure good accessibility. Public realm and landscaping is considered in so far as it relates to the proposed building and related works, for example, at interfaces between the street and entrances/thresholds.

20.5 The following documents and guidance have been used for assessment:

- GLA, Accessible London: Achieving an Inclusive Environment, April 2004; (*good practice as not directly related to this Local Authority*)
- Building Regulations Part K, Approved Document K, 2013 edition
- Building Regulations Part M, Approved Document M, 2015 edition
- British Standard BS8300:2010A Design of buildings and their approaches to meet the needs of disabled people – Code of Practice;
- British Standard BS9999:2008 Code of practice for fire safety in the design, management and use of buildings
- DETR, Parking for Disabled People, Traffic Advisory Leaflet 5/95, 1995
- Other currently recognised good practice design guidance including *Sign Design Guide*, (SDS, 2000); *Guidance on the use of Tactile Paving* (UK, DETR), *Inclusive Mobility* (DoT); *Designing for Accessibility* (CAE, 2004), *The Access Manual*, (Blackwell, 2006) and *Manual for Streets* (DfT and DCLG 2007).

20.6 In using these documents and this guidance, the design team and access consultant have observed and had regard to reasonable functional and financial practicalities; and taken into account the nature of the use of Building. Wherever possible, the design team have gone beyond the minimum requirements of Part M (Building Regulations) and the guidance provided in the Approved Document M. This will assist the occupier(s) in meeting its/their duties under the Equality Act 2010.

20.7 An independent assessment of the project design has been undertaken by Tony Heaton, OBE, which has concluded that:

“I had the opportunity to review all the documentation and drawings for the scheme in advance of our meeting. The plans are very comprehensive and demonstrate a good understanding of the access requirements likely for disabled users. The meeting confirmed the impression I gained from the documentation that the team had fully thought-through the access implications and had complied with the legislation in a thoughtful and inclusive way, rather than just addressing the requirements as compliance.”

A copy of his comments are attached in the redacted Stage 3 documents.

21 RIGHTS TO LIGHT AND DAYLIGHT/SUNLIGHT

21.1 Point 2 Surveyors have been instructed by Tunbridge Wells Borough Council to undertake a detailed review of the potential daylight, sunlight and Rights to Light effects of the redevelopment proposals for the Mount Pleasant and Great Hall Car Park sites.

21.2 – 22. 4 are contained in the exempt civic development report

21.5 The rights to light are being discussed as part of the planning pre-application discussions and the legal right to light will be negotiated once the scheme progresses through the planning process. Compensation may be payable and this is identified in report 4 – Project Financials

22 THE PARTY WALL REPORT

22.1 The existing land and buildings are currently being used for car parking with an existing cottage/building which is currently being used as a dental practice, but will be demolished as part of the development. Point 2 Surveyors have been instructed to produce a high level report outlining the nature of the boundary to the site and the implications of its redevelopment on the adjoining buildings. In particular the report gives consideration to those matters which fall under the remit of the Party Wall etc. Act 1996 and other Neighbourly Matters and legal consents.

22.2 The report details each adjoining building or parcel of land in turn, and provides a detailed list of the actions that are either required under the Act or recommended, as a matter of best practice to safeguard the client.

23 SITE ASSEMBLY

23.1 Whilst the Council owns the freehold of a large part of the site there are also a number of third parties who hold an interest in the land and whose interests will be affected by the development. Since mid 2016 the project team have carrying on negotiations with these parties to seek to reach agreement by private treaty where possible to acquire the necessary land and rights to enable the scheme to go ahead. Exempt Report 1 Design & Site Assembly Appendix 2: Site Assembly Schedule

23.2 Alongside carrying out negotiations with affected parties a Site Assembly Strategy has been prepared. The Site Assembly Strategy is contained in the Exempt Report 1 Design & Site Assembly Appendix 1: Site Assembly Strategy.

23.3 The exempt Site Assembly Strategy provides advice including the potential use of the Council's compulsory purchase powers to assemble the site for development. It provides a comprehensive strategy to take forward including advice on; the compulsory purchase process; timescales and programming; compensation; acquisition strategy; special types of land; and the recommended next steps. Work is now underway on progressing the next steps set out in the exempt Site Assembly Strategy.

- 23.4 Appropriate Council authorisation will need to be obtained to make the CPO. Initial provision for the use of compulsory purchase powers has already been agreed within the Council Asset Management Plan 2017 which was agreed at Full Council in February 2017. Within Appendix 2 of the Asset Management Plan, the Plan sets out that “The Council will investigate and look to use all statutory powers including Compulsory Purchase Orders (CPO) to achieve key priority developments including the Civic Development programme”. This provides the initial framework for using compulsory purchase powers.
- 23.5 The CPO process from start to finish takes between 18-24 months. We are currently in the early preparation stage of the process. Before moving on to make any Compulsory Purchase Order(s) (CPO) there should be at least a resolution to grant planning permission in place. However we are seeking authority to progress with a CPO in the decisions being requested.
- 23.6 In order to provide the best chance of achieving a confirmed CPO, the following will need to be demonstrated:
- Policy basis – the Town and Country Planning Act 1990 powers are available to facilitate the delivery of planning policy. There needs to be sufficient planning policy support for the proposals including showing how the scheme fits in with the planning policy framework and wider council priorities.
 - Deliverability – that the development is able to process and that there are no other impediments to delivery (such as planning, licenses, consents). TWBC will need to demonstrate it has experience, resources and funding in place ready to deliver the scheme.
 - Efforts to acquire – TWBC will need to demonstrate that reasonable efforts to acquire the various interests have been undertaken. These can continue in parallel with preparations for a CPO.
- 23.7 The Planning Inspector assessing the CPO and the confirming Minister will consider these ‘tests’ in making their assessment of whether the scheme contributes to social, economic or environmental well being and whether there is a compelling case in the public interest for the CPO. They will also consider whether there are other reasonable alternatives to deliver the improvements sought.
- 23.8 If an interest is compulsorily acquired, the claimant is entitled to compensation which is assessed based on the statutory principles which govern the assessment of compulsory purchase. All affected parties would be entitled to statutory compensation. The estimated costs of compensation are identified in Report 4 - Project Financials.

24 PLANNING PRE-APPLICATION

24.1 pre-application discussions have already commenced with the Planning Department. To date 8 formal pre-application meetings have been held and it is anticipated that a further 3-4 further meetings will be held.

24.2 is contained in the Exempt Civic Development Report

24.2 While engagement with the planning authority has been good there a number of issues that we will seek to address in the final pre-application meetings. Ongoing studies are being carried out in respect of these issues. These are:

- Daylight & sunlight impact on certain properties
- Visual impact of theatre on certain properties
- Potential Theatre transport noise impact on certain properties
- Highways & finalising traffic movements
- Flooding & drainage assessment

24.3 Ultimately in a scheme of this scale there will be elements that the planning authority will need to consider against the broader benefits of the scheme to the town and borough.

25 ENGAGEMENT WITH HISTORIC ENGLAND

25.1 The Council has been conscious of the sensitivities around the selected sites at Mount Pleasant Avenue and Great Hall as well as the future redevelopment of the Civic Complex. As a result we have sought to engage with Historic England from early in the design development. Through the RIBA design stages the project team have met with Historic England on the 13 July 2015, 2 June 2016 and 22 June 2017. Historic England

25.2 A copy of the letter is attached as Report 1 Appendix 1. This has in some quarters been misrepresented

26 DESIGN SOUTH EAST

26.1 To further develop our approach and design we have sought to engage Design South East to undertake an independent review of the proposals. Design South East undertook their review visiting on the 16 August 2017 with their report being issued on the 1 September 2017. Engagement with Design South East was purposefully during the early pre-application discussions to enable their comments on the design to be taken into consideration. A copy of the Design South East panel letter is attached as Report 1 Appendix 2.

26.2 Design South East provided advice on aspects of the scheme that need clarification or could benefit from further consideration. The Panel raised a number of areas where they thought that further information was required. This has helped to inform further development. On 26 September we provided a

written response to Design South East was submitted addressing the aspects being raised. This is attached as Report 1 Appendix 3. Further correspondence and engagement was sought with Design South East on the elements within their brief however they have indicated on the 20 October that the general feeling from the panel is that they are confident in the abilities of Allies and Morrison and Townshend to produce a well detailed scheme and address minor design issues raised in the report.

26.3 DSE outlined that while their report from the recent design review highlighted potential harms relating to the proposal and its impact on the park, it also referenced potential benefits to the wider town, and they recognise there may be some degree of balancing this. A further conversation around these issues will be organised in due course. Comments from Design South East relating to the requirement for tenanted office and underground parking being provided do not relate directly to the design are addressed elsewhere in the committee reports.

27 CONSTRUCTION PROCUREMENT AND CONSTRUCTION MANAGEMENT PLAN (CMP)

27.1 Details of the proposed procurement process and construction contract method are provided in Report 2 – Procurement. It is anticipated that the project will be developed through a single two-stage Design and Build contract with a client side team to undertake the overseeing role including project management, QS, health and safety, clerk of works. It is proposed that a single contractor is procured to deliver all the elements of the Civic Development Project. This will minimise the development period and subsequent construction period impact and will ensure that one has overall responsibility for development delivery.

27.2 The construction management plan for this project is included within the redacted Stage 3 documents. It sets out the delivery plan for the project and includes strategies for the management of the development phasing, transport and traffic movements, environmental issues, culture and heritage matters, security and safety and communication during construction.

27.3 The strategies contained within this plan are at a high-level Concept Stage (RIBA Stage 3), and will be developed into greater detail in line with the progression of designs. The CMP will be developed in a consultative way and for full endorsement by Tunbridge Wells Borough Council (TWBC).

27.4 The CMP will be updated and re-issued for approval at key stages through-out the project, incorporating feedback from TWBC and key stakeholders.

27.5 The Construction Management Plan (CMP) will help designers, potential delivery partners and contractors understand the scheme, the proposed methodology and the risks involved.

27.6 The completed and signed CMP aims to address how any impacts associated with the proposed works will be mitigated and helps manage the cumulative impacts of construction.

27.7 Where possible, the CMP follows the industry best practice guidelines to control environmental impacts, traffic disruption, site logistical issues and stakeholder communications, however all of the above are subject to change through the following work-stages, and in consultation with TWBC, consultants, delivery partners and key Stakeholders.

27.8 Communication is critical at all stages of construction, and it is vital to have an effective communication process in place from the very start from pre-construction site preparation, through mobilisation and the various phases of development to completion, demobilisation and reinstatement. The CMP will articulate the communication process for the construction period.

27.9 As part of the project construction management, It is anticipated that a compound will be sited on Calverley Grounds during the construction period. In addition, to minimise the area of Calverley Grounds occupied by the contractor and as part of the process to minimise the cumulative impact of construction it is proposed that the contractor will use an off-site consolidation centre(s). This will be fully explored through the planning application but in the construction management plan are suggested 3 possible sites, which could be suitable for this purpose, subject to agreement and subject further to any particular planning or contractor requirements. The possible sites are:

- North Farm Lane
- Tesco's Land
- Balfour Beatty Site

27.10 Any site selected will be subject to a detailed Traffic Management plan to be agreed with TWBC and KCC, kept under close review and implemented by Contractor.

28 PROJECT PROGRAMME

28.1 The project programme is defined in the redacted Stage 3 documents and a copy of the indicative masterprogramme is attached to the covering report as Appendix 7.

28.2 Assuming authority is given to progress and deliver out the project the programme provides for a planning application to be submitted in January 2018.

28.3 Subject to planning consent being granted the programme provides for:

- RIBA stage 4 to be completed Q1 2019
- Site assembly to be completed (using CPO) Q3 2019
- Construction to commence Q3 2019
- Construction to complete Q4 2021

29 RISKS

29.1 The Project risk will be managed through the contract administration process and will be reported through the existing Civic Development Project management process that is currently in place, has been reviewed by audit and

has been declared as strong. The project risk will be overseen by the Project programme Board which meets monthly to review all of the Council's projects.

30 REPORT APPENDICES

30.1 The following documents are to be published with, and form part of, the report:

- Report 1 Design & Site Assembly Appendix 1:
 - Report 1 Design & Site Assembly Appendix 2:
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31 BACKGROUND PAPERS

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Position Statement by Historic England for proposed development by Tunbridge Wells BC affecting Calverley Park.

Historic England accepts that a case might be made by the Council that its current grade-II listed Council offices and theatre (Assembly Hall) do not provide modern format office accommodation or, in the case of the theatre, the facilities necessary to host major touring productions. The alterations that could be necessary to continue using the existing buildings might be both harmful to their significance and disruptive to the continuing provision of services. We wish to continue to discuss how these buildings might need to change to find future uses but we acknowledge that new civic facilities may be the preferred option.

These important listed buildings, however, make a major contribution to the townscape. They must not be left vacant and without a plan for their future. We think that the existing buildings could be reused in a variety of different creative and imaginative ways and we would want these options to be properly considered and implemented as part of any scheme for relocation of their existing functions. Historic England is working with the Council to find an appropriate future for them, whether in or out of Council use.

In parallel, Historic England has been involved in pre-application discussions about a new civic centre and theatre at the western edge of Calverley Park. Calverley Park was laid out from 1828 to 39 by the architect and builder Decimus Burton in the form of a crescent of villas overlooking a pleasure ground. His twenty-four villas are all listed buildings and were designed to command views over the park to their west, which is also on the National Heritage List for England. The western half of the park was bought by the Council in the 1920s and this is where most change has since occurred, such as the introduction of new leisure facilities and a succession of different planting schemes. The western edge of the park has been spoiled by the addition of two car parks, the southern of which is multi-storeyed.

The proposed scheme to replace the two car parks at the western end of the park with a new Council office and theatre provides an opportunity for enhancement of this edge of the park, as well as offering other forms of public benefit. We accept that in order to realise these public benefits the new buildings may need to encroach further into the park than the existing car parks. We would expect the park around any new building to be restored and, wherever possible, enhanced. A detailed landscaping scheme will therefore need to be provided.

The proposed buildings are large in order to accommodate both the proposed uses and car parking, but in our judgment may well be of the high quality required in this location. New buildings here will be viewed, at least in part, against the existing backdrop of the rear elevations of Mount Pleasant Road. We would nonetheless expect the full effects of this scale of buildings to be properly tested in key viewpoints from around the town, both within the park itself and further afield, for example from elevated viewpoints over the town such as Mount Ephraim. We will be commenting further on the full effects of the scheme when this exercise is complete.

This is a cherished part of the town and we acknowledge that there will be some harm caused to the grade II registered Calverley Park. Heritage conservation is all

about weighing competing public interests in the balance. If the harm is minimised and the enhancement of the park maximised, we are prepared to be persuaded that a case for the development can be made. We look forward to continuing our discussions with Tunbridge Wells BC and their advisers.

Contact – Peter Kendall
Principal Inspector of Ancient Monuments (Development Management
team covering Kent)

Peter.kendall@historicengland.org.uk

Design Review

**Tunbridge
Wells Civic
Development**

Tunbridge Wells Civic Development, Mount Pleasant Avenue

Reference: 638-981

Report of Design Review Meeting

Date: 16 August 2017

Location: Tunbridge Wells Town Hall, Mount Pleasant Road TN1 1RS

Panel

Lorraine Farrelly (Chair), Architect

Steven Bee, Planner/Historic Environment

Simon Collier, Landscape Architect/Masterplanner/Urban Designer

Nigel Green, Planner/Urban Designer

Other attendees

Huw Trevorrow, Design South East

Lynda Middlemiss, Tunbridge Wells Borough Council – Planning

Karen Fosset, Tunbridge Wells Borough Council – Planning

David Scully, Tunbridge Wells Borough Council – Planning

Steven Baughen, Tunbridge Wells Borough Council – Planning

David Candlin, Tunbridge Wells Borough Council – Development and Property

Diane Brady, Tunbridge Wells Borough Council – Client

Alan Legg, Tunbridge Wells Borough Council – Client

Paddy Dillon, Allies & Morrison

Robert Townshend, Townshend Landscape Architects

Rebecca Doull, GVA

Mark Anderson, GVA

Site visit

A full site visit was conducted by the Panel ahead of the review

This report is confidential as the scheme is not yet the subject of a planning application

Summary

The panel commend Tunbridge Wells Borough Council on their proactive approach in responding to the future needs of the town. The requirements for a larger theatre venue and more flexible council office space were clearly demonstrated, and the proposed sites have the potential to accommodate these facilities.

Any proposals must address the Calverley Grounds, a registered parkland of historical significance and an important asset to the town. There are potential advantages to be gained from this, such as the opportunity to improve the main entrance to the park, however; we are concerned the amount of tenanted office space and additional parking proposed within the brief are in danger of creating too great an intervention on this highly sensitive site. We feel the scheme could be improved if the mass of the office building and amount of mature planting lost through excavation of the underground car parking were reduced.

It is beneficial to see this project at an early stage in the design process, and we feel the close collaboration between architecture and landscape teams has been advantageous. The proposed public square and the way the theatre and office building address this space and each other will be key to the success of the scheme. We appreciate the significant focus given to this, but suggest issues such as the approach from Mount Pleasant Road, and the level of activity in ground floor internal areas facing on to this space could benefit from further consideration.

Background

This is a proposal for a new civic development in Tunbridge Wells, adjacent to the Calverley Grounds on Mount Pleasant Avenue. Split into two main areas, to the south, on the site of the existing Great Hall car park, a 1200 seat theatre, café and ancillary services are proposed. To the north, on the site of the existing surface car park for the Axa building, a 39,500sqf office building is proposed, including 262 parking spaces provided below ground level. Council offices currently located on Mount Pleasant Road will be relocated to this development, predominantly over a single floor, with the remaining space given over to lobby and service space, a flexible council chamber space, and two floors of offices to be let by the Council to secure a continuing income. Between these two buildings, a new public square is proposed, between Mount Pleasant Road to the west, and the Calverley Grounds to the east. This will involve the demolition of the former pavilion at the entrance to the park.

The Calverley Grounds is part of a Grade II Registered Park and Garden designed by Decimus Burton to provide a setting for the villas of Calverley Park Crescent to the west. They were first laid out in the early nineteenth century, and made public in the early twentieth century. The dramatic topography, mature trees, and historic surrounding buildings make this a valuable part of the town fabric. The Great Hall car park was developed in the 1980s and intrudes to a minor extent in its setting. The surface car park to the north is entirely screened in views from the park. Although the proposed buildings will be predominantly located within the existing car park areas, the larger footprint of the proposed office building will require the felling of surrounding mature trees and planting. The proposed underground car park will extend into the hill to the east, beyond the footprint of the office building above, requiring the felling of the mature tree screen within the park.

The higher capacity performance space will replace the existing on Crescent Road and provide a venue with sufficient capacity to attract major productions to Tunbridge Wells. The replacement of the existing council offices responds to the need for more flexible office space, and further office space to be rented out to provide an income stream.

This proposal has been in development since 2015, and is currently in pre-planning stages, with a view to submitting an application towards the end of 2017. Initial public consultation has raised concerns regarding the massing of the new buildings. The amount of accommodation was reduced and its configuration adjusted in response to this process.

Calverley Grounds impact

This listed park is one of the town's most significant heritage assets, and therefore limiting any potential negative impacts, and exploiting opportunities for future improvement should be core to this development. Previous development of the Great Hall car park has intruded into the western setting of the park, therefore redevelopment in this location has the potential to redefine this edge and make improvements to the main entrance. Burton's original concept for an Arcadian landscape should inform the general approach, particularly in planting choices and groundworks. For example, the opportunity to reinforce the sweeping curve of the hillside with earth displaced from the construction process could be considered.

While we feel a theatre and council offices are appropriate uses for this site, we are concerned that the mass of the proposed office building could have too great an impact on views from within the park. At up to six storeys this building will be highly visible. Reducing the height of the building by omitting some or all of the proposed tenanted office space would improve its relationship with the park. The loss of mature planting associated with the excavation for a multi storey car park will further exacerbate the issue of visibility. We feel that significantly reducing the amount of parking to be provided on site would benefit the scheme, reducing associated traffic movements, and allowing mature planting such as the four mature pine trees to be retained. We were not provided with a clear justification for the replacement public car parking, or with a financial justification for the commercial office space. Considering car parking requirements on a town-wide scale and looking for alternative locations, including the reuse of council sites released, could be a better solution. If any vents or access points are required within the park, the impact upon the wider landscape should be clearly demonstrated.

The issue of partially screening the building through planting was highlighted during the presentation, but we encourage winter views as well as summer views to be included in this analysis, particularly if coniferous planting is reduced. As any new planting will take many years to mature, we suggest this should commence at the earliest possible stage. This process could begin before construction works take place if appropriate.

Approach from Mount Pleasant Road

The proposed town square area could be considered in two parts, the square itself, and the approach to it flanked by Sainsbury's and Carluccio's. The character of this approach will have a significant effect on how the new development is viewed from the Mount Pleasant Road and the town beyond, and should be considered as a key part of the arrival experience to the proposed development. It is unfortunate that the sides of the businesses facing the high street present blank facades on to this space, and a strategy should be put in place to address

this issue. The Carluccio's flank is south facing, with favourable conditions for cafe seating. The existing narrow pavements discourage this, but a more generous pedestrian area could accommodate this. The way the space links to Mount Pleasant Road and the railway station could also be further explored, improving the public realm of the wider setting and pedestrian amenity and safety in this area. Although it may be unlikely that this scheme could directly fund improvements outside of the red line, a strategy should be developed to account for issues such as improved links to the station, and more rational bus/taxi pick up in future..

Public square

Much of the success of the scheme will revolve around how it relates to the wider town fabric, forming a threshold between the bustling Mount Pleasant Road to the west and more tranquil Calverley Grounds to the east. We commend the focus on creating a new public square at the entrance to the park. We feel that a public square, defined by colonnaded frontages of the new buildings will be successful, but the potential of this area could be further explored. The level of activity in the square should be realistically considered. A calm space with a generally low level of activity is not necessarily problematic, though we feel it is important that the proposed buildings present active frontages facing on to this space. The theatre café could contribute to this, but further consideration could be given to issues such as how circulation and café areas could be used in flexible ways, and potential synergies with the new civic spaces. The way the office lobby will be activated should also be further considered. Breakout space and informal meeting space could contribute to this activity, but there may be further options that could be explored.

We feel the way this square connects to the park could be further considered, addressing the activities that should be encouraged, and discouraged, in this stepped area. Late opening hours of the theatre and the effect on the surrounding square and park spaces after the sunset should form part of this consideration. The way that the buildings are lit after dark will be an important element of their successful integration into the setting of the park. We are concerned that the raised terrace areas of the new buildings may not be well used throughout the year. The impact of service vehicles sharing the square and park entrance with pedestrians should also be addressed in the layout and design details.

Programme

This will be a highly prominent development within the town, therefore guaranteed funding streams are required to ensure a high quality scheme is realised, with great attention to detail required. It is beneficial that the main building elements of the scheme are planned to be constructed alongside each other, helping to guarantee consistency of detailing throughout the project. Beyond the impact of the extra mass additional tenanted office space will add to the building, we note that Grade A office space typically requires exclusive rights, such as separate entrance and parking space. This means that sharing space with council offices may be viewed as problematic. Parking provided for offices is typically less profitable than equivalent residential provision, therefore we question the viability of this, particularly in relation to the greater impact on this sensitive site this would create.

This review was commissioned by Tunbridge Wells Borough Council (Development and Property) with the knowledge of Tunbridge Wells Borough Council (Planning).

DECLARATION OF INTEREST

Bob Allies, Allies and Morrison, is Chair of the DSE Panel. He is also a visiting Professor at the University of Reading where Lorraine Farrelly is employed. Mr Allies has played no part in the deliberations of the Panel or in the content of this report.

CONFIDENTIALITY

Since the scheme was not the subject of a planning application when it came to the Panel, this report is offered in confidence to the addressee and those listed as being sent copies. There is no objection to the report being shared within respective practices/organisations. DSE reserves the right to make the guidance known should the views contained in this report be made public in whole or in part (either accurately or inaccurately). Unless previously agreed to remain confidential, this report will be publicly available if the scheme becomes the subject of a planning application and to any public inquiry concerning the scheme. DSE also reserves the right to make guidance available to another design review panel should the scheme go before them. If you do not require this report to be kept confidential, please let us know.

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Dear Sarah

Tunbridge Wells Civic Development, Mount Pleasant Avenue, Tunbridge Wells

Thank you for sending the report from the Design South East Panel, which we received on 4th September 2017, and the amended report containing comments on the architectural approach, which we received on 13th September 2017.

It was very helpful for us to receive the Panel's review of the proposal, as well as advice on the aspects of the scheme that need clarification or could benefit from further consideration.

The Panel raised a number of areas where they thought that further information was required and we have provided that information below.

1. Quantum of development (mass of the office building)

The Panel raised a concern that the quantum of development, with particular reference to the tenanted office space and car parking, would cause too great an intervention on a sensitive site and have too great an impact on views from within the park. The Panel's report suggested that reducing the mass of the office building, and the amount of planting lost as a result of the excavation for the car park, could improve the scheme.

At this point, it may be useful to provide some additional background detail about the need for the tenanted office space and car parking, and the specific quantum of development that the application proposes.

Our client's brief is to design a modern, flexible office space capable of accommodating business tenants as well as the Council's offices and associated civic space. The office space should be designed so that it can be accessed through a single, good quality entrance, there should be flexibility to share meeting space, and it should be capable of sub-division in the future to ensure maximum longevity. The design should complement the new theatre building, be financially viable and, importantly, should enhance the western edge of the historic park.

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The client's requirement for new, modern office accommodation is based on the need to ensure that the increasing demand from private tenants for flexible office space can be met within Tunbridge Wells and that it supports the economic viability of the town as well as a sustainable income stream for the Council in perpetuity. The project team conducted a review of the office market in Tunbridge Wells' town centre, and the rent levels (per square metre) for Grade A office floorspace. The size requirement for the commercial element of the office building is directly linked to the viability of the entire scheme.

The brief for the scheme is also mindful of the Council's place-shaping responsibility and its corporate objective to make the town and the borough 'prosperous and confident'.

The need for 250 short-stay parking spaces on site is based partly on development viability and partly on the objectives of the Tunbridge Wells Five Year Plan (2014-2019) (a plan setting out what the Council wants to achieve over the next five years, and which sits outside of the planning function). The applicant has undertaken a financial modelling exercise, based on construction costs and long-term pay-back, to ascertain that 250 spaces is the optimum size for the underground car park. In addition, site-specific planning policy AL/RTW21 (Mount Pleasant Avenue car park) requires the re-provision of existing public car parking on site. This is in accordance with the Site Allocations Local Plan which requires each development in the town centre to 're-provide at least the same amount of public parking spaces.'

We recognise the Panel's concern about the potential impact of the development on Calverley Grounds. In order to reduce that impact, the scale, bulk and mass of the office building has been reduced as far as possible through a variety of design measures (including upper floor set-backs, terraces and the variation of building materials). Whilst it is not possible to reduce the scale, bulk and mass of the building any further without impacting on the functionality or the viability of the scheme as a whole, the landscape strategy proposes significant tree-planting that will considerably improve the western edge of the park. In accordance with the Arcadian ideal, the proposed trees will frame the new buildings rather than hide them.

We have tried to incorporate previous feedback from Historic England, which acknowledges the 'degraded' nature of the park's western edge and highlights the opportunity that new development facing the park presents – creating an active western edge and breathing new life and vitality into this part of the park. It is considered that the design quality of the architecture and landscaping, as well as the wider public benefits associated with improvements to an important entrance to Calverley Grounds, outweigh the harm caused to the western edge of the park.

The design of the buildings has been informed by the topography of the site so that when viewed from Mount Pleasant Avenue, the office building comprises three floors of office space and two floors of car parking above ground level, as well as two floors of car parking below ground. When viewed from Calverley Grounds, the office building comprises three floors of office space above ground level, as well as four floors of car parking below ground. And when viewed from the square, the office will appear as a three storey building that settles into a landscape that is rising from the south to the north.

2. The justification for car parking

DSE's report queries whether there is a justification for the amount of public car parking proposed as part of the scheme and suggests that reducing the amount of parking would reduce the number of traffic movements.

The 'need' for the 250 space car park is set out above, but it might also be useful to consider the planning policies relevant to parking for the site:

- The NPPF (2012) encourages local authorities to improve the quality of parking in town centres so that it is 'convenient, safe and secure'; and
- Paragraph 3.29 of the Site Allocations Local Plan (2016) requires each development in the town centre to 're-provide at least the same amount of public parking spaces'.

The impact of the proposed development, in terms of traffic flows, will be fully assessed in the Transport Assessment. The methodology for this Assessment has been agreed with Kent County Council, the Highways Authority.

With reference to vents and the emergency exit for the car park in Calverley Grounds, the details of this structure will be shown on the relevant plans, sections and elevations (to be produced by Allies and Morrison and submitted with the planning application). The vents are located on the north elevation, set against a steep bank and away from the public realm or pathways.

3. Townscape and Visual Impact Assessment: key views

DSE's report encourages the inclusion of winter views as well as summer views in the Townscape and Visual Impact Assessment. The project team has discussed and agreed with the Local Planning Authority's Conservation Officer and Landscape Officer a comprehensive set of viewpoints (approximately 16-18 viewpoints will be assessed, within close proximity to the site and from the wider context).

4. Proposed planting to be implemented as soon as possible

The DSE report suggests that the planting proposed in the landscape strategy be implemented at the earliest possible stage – if appropriate, ahead of the construction stage. Whilst every effort will be made to implement the landscape strategy as soon as possible, unfortunately it would not be appropriate to execute the works ahead of the construction period due to the excavation required as part of the scheme.

5. The approach to the new Square

The Panel's report states that a strategy should be put in place to address the approach to the Square – this approach is an important part of the 'arrival experience' to the scheme but the existing businesses that flank this space (Sainsbury's and Carluccio's) present blank facades.

The project team recognises the approach to the Square as an important part of the landscape strategy that will accompany the planning application – surface treatments will help to create a space that is more comfortable for pedestrians and reduce the dominance of motor vehicles in the space. It is now proposed that the three trees to the north of Sainsbury's will be replaced with trees that are more appropriate to the context. The Landscape Architect is also examining the potential for a wider footway adjacent to Carluccio's with planting and space for external café seating. The 'vision' is to create a place that better connects the town and the park.

6. The interaction between the Square and Calverley Grounds

The Panel suggest in their report that the way the park connects to the Square should be explored further. Since the Panel meeting, the Landscape Architect for the scheme (Townshend) has given further thought to the interface between Calverley Grounds and the Square. The grassed steps have been replaced with a continuous grass slope, which sits more comfortably with the Arcadian principle. The location of pathways is also being reviewed to ensure that they are more prominent but still in-keeping with the Arcadian principle.

7. The shared space between the two buildings

The Panel sought clarity about the impact of service vehicles sharing the Square and park entrance with pedestrians. Similar feedback has been received from Kent County Council, the Highways Authority for the scheme.

The design team recognises the importance of the 'shared space' and has given careful consideration to the interaction of vehicles and pedestrians. Although the approach to the Square will be used by refuse vehicles and vehicles servicing the theatre, the Square will only be used by vehicles accessing Calverley Grounds (either for maintenance or events) and 'exceptional' deliveries to the office (anticipated once a year) that cannot be accommodated in the service bays in the underground car park. Nevertheless, the project team agrees with the Panel that the design of the approach to the Square and the Square itself, particularly the use of planting, street furniture and a variety of surface treatments, will be key to creating a space that reduces the dominance of the motor vehicle and is comfortable to pedestrians. The detailed design of the Square is the subject of pre-application discussions with the LPA.

8. The level of activity in the Square and on the raised terraces

The DSE Panel were concerned that the raised terraces for the office and theatre may not be well used throughout the year. The Panel also suggested that the level of activity in the ground floor internal areas facing into the Square could benefit from further consideration.

Allies and Morrison have taken the amount of use each space might be expected to accommodate into account in their design. The theatre terrace is an event space and, in order to retain flexibility, will not include fixed planters. The space will be finished in stone paving and will offer a summertime bar with views across the park. The office/public terrace will be a designed, landscaped space with fixed planters and seating and stone paving, which will be attractive to view even when not occupied. The space will make a positive contribution to the grounds.

Both the office and the theatre have been designed with active frontages onto the Square. The theatre's main entrance, including access to the box office and café, will invite interest. The full façade of the office at the ground floor level is activated and open, including the main entrance, cycle entrance, public car park pedestrian entrance, café seating and a multi-purpose innovation space, which has a large amount of glazing.

9. Concluding comments

The applicant is committed to a programme of extensive pre-application engagement ahead of the planning application submission. In this letter we have tried to address the comments and concerns that were raised in the DSE's report, and to provide clarification wherever possible. We would like to invite further feedback from the Panel as the scheme progresses, perhaps in the format of a 'Stage 2' report with more of a focus on the detailed design and architecture of the buildings. We would, of course, cover any additional costs that the Panel might incur by providing this further feedback.

Yours sincerely



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For and on behalf of GVA Grimley Limited

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|---|-------------------------|
| Planning & Transportation Cabinet Advisory Board | 13 November 2017 |
| Finance & Governance Cabinet Advisory Board | 14 November 2017 |
| Communities Cabinet Advisory Board | 15 November 2017 |
| Is the final decision on the recommendations in this report to be made at this meeting? | No |

2 - Procurement

1 EXECUTIVE SUMMARY

- 1.1 The report has been prepared with input from GVA, DAC Beachcroft, Aecom and project, procurement and legal officers from the Council. There have been a number of detailed discussions held to discuss the options, emerging strategy and to help shape the preferred approach to the next stages of procurement to enable the construction of the proposed development including the procurement of the surveying, planning consultancy, project management, contract administration / employer's agent and quantity surveying roles required to deliver a development of the scale of the Civic Development.
- 1.2 The Council has set out a number of key aspects it is seeking to meet through the procurement of contractors and professional expertise to deliver the Civic Development:
- Cost – the Project is procured within the approved budget;
 - Quality – the completed Project meets the high standards required for a development of its status and highly sensitive location;
 - Risk – as far as possible the risk of delivering the Project is allocated to a single contractor that is experienced, competent and resourced to manage the risks and deliver the project successfully;
 - Disruption – the disruption to the locality and the Town due to construction operations is minimised in time, temporary loss of amenities, traffic and pedestrian movements, noise and dust etc;
 - Timescales – the project is delivered in the shortest overall time, whilst achieving the above cost, quality and risk objectives.
 - A fair and transparent procurement process is put into place.
- 1.3 The Two-Stage Design & Build approach has been selected as meeting the Council's objectives and market requirements. A suitable construction framework will be utilised.

- 1.4 Alongside the procurement of a contractor the Council will utilise a suitable framework/s (Homes and Communities Agency and Crown Commercial Services RM 3816 and RM 3741 frameworks) to appoint the design and project management teams and to appoint the specialist site assembly and Compulsory Purchase advisors with the relevant experience and expertise to meet our criteria.
-

2 INTRODUCTION AND BACKGROUND

- 2.1 This report covers the procurement aspects of the Civic Development project related to the following elements:
- A new 1,200 seat theatre;
 - A new shared-use building including accommodation for civic functions and offices for the council and third party organisations;
 - An underground car park, partly under the office building and extending under part of Calverley Grounds;
 - Local remodelling of the public realm associated with the above buildings and car park.
- 2.2 In the Civic Complex - Assembly Hall Theatre Mandate Next Steps report to Full Council on 9 December 2015 it was considered that a development agreement should be structured combining delivery of the Civic Complex site redevelopment with one or potentially both public buildings. However, during the course of the development of the design work through the RIBA stages we have undertaken a number of Soft Market Testing approaches to the existing Civic Complex. These engagements with the market have highlighted the need to separate the delivery of the Civic Development from the disposal for development of the Civic Complex. This report does not cover the strategy and work carried out on the future of the current Civic Complex, this is contained in Report 3: Civic Complex.
- 2.3 The Procurement report has been prepared with input from GVA, DAC Beachcroft, Aecom and project, procurement and legal officers from the Council. There have been a number of detailed discussions held to discuss the options for procuring each of the services required, the emerging strategy and to help shape the preferred approach to the next stages of procurement to enable the construction of the proposed development including the procurement of the surveying, planning consultancy, project management, contract administration / employer's agent and quantity surveying roles required to deliver a development of the scale of the Civic Development.
- 2.4 The discussions have included:
- Initial workshop set out the options and the mechanics, advantages and disadvantages of each option;
 - Meetings held with DAC Beachcroft, Mid Kent Legal Services;
 - Meetings with GVA, AECOM and Council Procurement;
 - Meeting held with PAGABO regarding their public sector construction framework;

- Meeting held with Southern Construction regarding their public sector construction framework;
- Discussions held with the Homes and Communities Agency regarding their public sector framework;
- Discussions held with the Crown Commercial Services (CCS) regarding their public sector frameworks relevant to the opportunity.

3 PROCUREMENT OBJECTIVES

3.1 The Council has set out a number of key aspects it is seeking to meet through the procurement of contractors and professional expertise to deliver the construction of the Civic Development:

- Cost – the Project is procured within the approved Budget;
- Quality – the completed Project meets the high standards required for a development of its status and highly sensitive location;
- Risk – as far as possible the risk of delivering the Project is allocated to a single contractor that is experienced, competent and resourced to manage the risks and deliver the project successfully;
- Disruption – the disruption to the locality and the Town due to construction operations is minimised in time, temporary loss of amenities, traffic and pedestrian movements, noise and dust etc;
- Timescales – the project is delivered in the shortest overall time, whilst achieving the above cost, quality and risk objectives;
- A fair and transparent procurement process is put into place.

4 CONSTRUCTION PROCUREMENT

4.1 There are a number of approaches to the construction of a major development these range from Traditional to Design and Build. A brief outline of the options is set out here. More detail on the options and the advantages and disadvantages of each are set out in Report 2 Procurement Appendix 1 attached to this report.

Traditional - Lump Sum

4.2 The Traditional Lump Sum procurement route is historically the most widely used, and hence familiar, method of appointing a contractor, who takes responsibility for delivering the project to an agreed price and programme. It is the system by which the majority of construction contracts are let in the UK. There are various different forms of contract available for use with this procurement route, dependent upon the value of the project and the nature of the works and there are a number of variations to the basic model, which have been developed over the years. The traditional option leaves the design team under the control of the Client for the duration of the project. This is set out in more detail in Report 2 Procurement Appendix 1 attached to this report.

Traditional – Two-Stage Tender

4.3 The traditional route can be accelerated by overlapping the design and construction and adopting a ‘two-stage’ approach. This typically involves the selection of a main contractor through preliminary proposals (pricing of their own costs for managing and running the site plus their mark-up on sub-contractors’ prices), and subsequent tendering of sub-contract packages on an

open-book basis. The Contractor then commits to a lump-sum price, and to a completion date, once all (or almost all) sub-contracts are tendered. This is set out in more detail in Report 2 Procurement Appendix 1 attached to this report.

Design and Build

- 4.4 Under the Design & Build approach the design team are employed by the Client during the early stages, but are then employed by the Contractor, once they are appointed, to complete the design. Sometimes the clients design team are novated to the Contractor and on other occasions they employ their own team (with the Client often retaining the original team as design 'policeman', making sure that the contractor's design is of an acceptable quality and meets their requirements). The Contractor gives a lump sum price and a commitment to complete the design and construction by an agreed date based on a set of 'Employer's Requirements', which set out the basic design and specification criteria for the project.
- 4.5 The approach is, therefore, quite similar to the traditional route, except that the design is not developed to the same level of detail prior to tendering the project and the Contractor's tender will include due allowance for this future design development. After their appointment, the Main Contractor will complete the design, either using the Client's Design Team or their own team. On projects of this nature, it is normal for the Client's Design Team to be novated to the Main Contractor to allow continuity in the design process and to provide the Client with the confidence that the Design Team have the experience and expertise to complete the design to the required standard.
- 4.6 The Client will then appoint an 'Employer's Agent' to administer the contract, which will obviously not be the Architect if they are novated to the Contractor. In the event of the Client's Design Team being novated, then the Client will generally appoint a 'Monitoring' Team to check that the design being submitted by the Contractor is fully in accordance with the Employer's Requirements. More recently rather than appointing separate design organisations, clients have been appointing a different individual from within each of the novated Design Team organisations, to act in an independent capacity as the design 'policeman'. Under this arrangement, there would be 'Chinese walls' between the independent 'policeman' and the other members of his organisation working on the project. This is set out in more detail in Report 2 Procurement Appendix 1 attached to this report.

Two-Stage Design and Build

- 4.7 The Design and Build route can be accelerated by increasing the amount of overlap between design and construction and adopting a 'two-stage' approach. This typically involves the selection of a main contractor through preliminary proposals (pricing of their own costs for managing and running the site plus their mark-up on sub-contractors' prices), and subsequent tendering of sub-contract packages on an open-book basis. The Contractor then commits to a lump sum price, and to a completion date, once main sub-contracts are tendered, or at least the majority of sub-contracts are tendered.
- 4.8 The Contractor therefore acts during the first stage like a Construction Manager, providing construction advice, management skills and assisting in the

procurement of the early trade packages. Once approximately 70-80 per cent of the value of the project has been procured then the contractor commits to a lump sum price (calculated on the basis of their original tender, applied to the sub-contract values obtaining during the first stage) and to a programme. Thereafter, the contractor bears the risk on costs and programme, save for specified events, notably client change, discovery of the unknown in the existing building, planning or other statutory changes. This is set out in more detail in Report 2 Procurement Appendix 1 attached to this report.

- 4.9 During the process some consideration has been given to whether the contracts would be for the whole construction scheme or split between contractors with one package being the car park and office with the second contract for the Theatre due to the specialist requirements of the building. A multiple construction contractor approach has been dismissed due to the added risk of having two separate contractors on site and works and liabilities falling between the different contracts. In addition, two separate contractors would result in separate compounds for each development which would require a greater impact on the area of Calverley Grounds required to enable the developments to take place and the management of the access aspects would also have added disruption, it is key that the disruption is minimised as far as possible. The preferred approach is for a single contractor is to be appointed to deliver the entire scheme concurrently.

5 PREFERRED APPROACH TO CONSTRUCTION

- 5.1 Having considered the various construction approaches it has been decided that a two-stage design and build contract is the most suitable way forward. This is proposed as the Contract Sum needs to be agreed with a single contracting entity prior to the Council agreeing to proceed to construction and entering into the contract. The Management forms of procurement (Construction Management and Management Contracting) do not allow for this and have therefore been discarded from further consideration.
- 5.2 As the Council wishes to pass the design as well as construction risk as far as possible to the Contractor the traditional form of procurement has also been excluded from further consideration.
- 5.3 A major concern in utilising a Design and Build route is the potential for the contractor to prioritise commercial imperatives over the quality of design detailing and choice of materials so that the buildings and landscape ultimately fail to live up to their intended quality and status. The procurement process chosen needs to ensure that the design team taking the project forward will have the skills and expertise to further develop the proposals in keeping with the historic and sensitive nature of the proposed sites and general confidence that has been built up with stakeholders through the implementation stages (RIBA Stages 4 to 7).
- 5.4 Under current market conditions that are expected to prevail through the procurement period for this project in 2018, contractors are unlikely to bid for a project of this scale and complexity on a single stage Design & Build basis. The bidding costs will simply be too high and the perceived risks too great when set

against the chances of winning and if successful, then making a profit. There are many other more commercially attractive opportunities available to contractors. As a result, the single stage Design and Build is not considered a suitable solution.

- 5.5 As a result the Two-Stage Design & Build is therefore considered to meet the Council's objectives and market constraints. The implementation of this procurement route for this project is set out in Report 2 Procurement Appendix 1 attached to this report.

6 DESIGN TEAM AND PROJECT MANAGEMENT

- 6.1 As highlighted in section 3 above it is normal for the Client's Design Team to be novated to the Main Contractor to allow continuity in the design process and to provide the Client with the confidence that the Design Team have the experience and expertise to complete the design to the required standard.
- 6.2 The Client will then appoint an 'Employer's Agent' to administer the contract, which will not be the Architect if they are novated to the Contractor. In the event of the Client's Design Team being novated, then the Client will generally appoint a 'Monitoring' Team to check that the design being submitted by the Contractor is fully in accordance with the Employer's Requirements. More recently rather than appointing separate design organisations, clients have been appointing a different individual from within each of the novated Design Team organisations, to act in an independent capacity as the design 'policeman'. Under this arrangement, there would be 'Chinese walls' between the independent 'policeman' and the other members of his organisation working on the project.

7 SITE ASSEMBLY AND CPO

- 7.1 In addition to the procurement of a contractor, the design team and project management, the Council will procure the specialist professional and legal services to complete the site assembly through private treaty or using Compulsory Purchase powers.

8 PUBLIC SECTOR FRAMEWORK AGREEMENTS

- 8.1 Procurement must be carried out in accordance with the Council's obligations under the EU Directive 2014/24/EU on public procurement. The Public Contracts Regulations 2015 (PCR 15) implement this Directive in England and Wales). This obligation can be discharged either by using the Official Journal of the European Union (OJEU) to advertise the procurement opportunities, or by using and complying with a suitable and established public-sector framework agreement under Regulation 33 of the PCR 15.
- 8.2 Public Sector Framework Agreements are established for use by local authorities and other public sector bodies as a means of "fast-tracking" procurement based on the commercial and contractual arrangements already in place under framework agreements, where suppliers are already appointed under the framework. The logic is that the suppliers on these frameworks (panel

suppliers) have been procured by the relevant authority in full compliance with PCR15 and provided that the rules of the framework are adhered to, local authorities can appoint the framework panel suppliers either through a mini-competition or direct negotiation. Different public sector frameworks have different rules and charging structures and the bodies that run them seek varying levels of involvement in the project, but the basic logic applies. Thus the ability to utilise a framework and go to a mini-competition will save time and costs otherwise spent running a pre-qualification process.

- 8.3 An important benefit in using a public sector framework is that it will enable delivery of a two stage design and build process to be addressed within the OJEU process.
- 8.4 The Council has utilised frameworks for delivery of the RIBA Stages within the Civic Development and in other development programme projects. As a result, we have examined a number of the frameworks available assess whether they will meet the requirements of the project going forward. This has included a range of construction and professional services frameworks including the Crown Commercial Services, SCAPE, YPO, HCA, KCC, PAGABO and Southern Construction frameworks.
- 8.5 The detailed discussions which have explored the options, came to the conclusion that for construction, a design and build route under a public sector framework was likely to best fit the Council's requirements. On the basis of a trawl of existing public sector frameworks and consideration of their criteria, it was agreed to explore two specific public sector frameworks, PAGABO and Southern Construction Framework in greater detail.
- 8.6 Meetings were arranged with the two public-sector framework providers, PAGABO and Southern Construction Framework (SCF). Both have a panel of suitable contractors and provide suitable processes. Of the two frameworks, the Southern Construction Framework is the more established and from the investigations can support the process mapped out, in the attached Report 2 Procurement Appendix 1, to procure a Design and Build Contractor for this project.
- 8.7 Alongside the procurement of a contractor the Council will utilise a suitable framework/s to appoint its design and project management teams and its site assembly and CPO specialist advisor going forward. From the review of public sector frameworks available it is anticipated that the Homes and Communities Agency and Crown Commercial Services RM3816 and RM3741 Frameworks provide the best route to securing the relevant experience and expertise to meet our criteria with sufficient flexibility, framework support, compliant processes and sufficient track record.

9 TIMETABLE

- 9.1 On the basis that Full Council decides on 6 December to proceed with the Civic Development, the preferred approach is a Two Stage Design Route utilising the appropriate Frameworks. Our intention would be to further explore the Southern Construction Framework alongside the HCA and Crown Commercial Services

Appendix M

RM frameworks to establish the design and project management and specialist site assembly and CPO advice, and to procure using the most appropriate framework for each service

9.2 The key dates for the procurement of the D&B Contractor are anticipated as follows:

| | |
|---------------------|---|
| Dec 2017 | Pre-qualification of shortlist |
| Jan 2018 – Mar 2018 | Tendering contractors tender for the project. |
| Apr 2018 | Select Contractor and subject to obtaining planning consents, appoint contractor for the pre-construction period (after standstill period as appropriate) |
| May 2018 – Apr 2019 | Pre-Construction Period |
| May 2019 | Appoint D&B Contractor for the Construction phase (subject to the date of obtaining vacant possession of the necessary sites). |

9.3 The key dates for the procurement of the project management and design team and the site assembly and CPO advisor are anticipated as follows:

| | |
|----------|---|
| Dec 2017 | Sifting Brief and Shortlisting of tenderers |
| | Commence Mini Competition |
| Jan 2018 | Receive submissions |
| | Review submissions and make Award |
| Feb 2018 | Contract commencement after standstill |

9.4 Adopting the above programmes will enable the Council to keep the project on track to meet the programme set out in the redacted Stage 3 documents.

10 FEES AND COSTS

10.1 Fees and costs will be incurred in completing the procurement process to progress the project as proposed in this report. These will include professional and legal advice in undertaking and completing the procurement processes.

11 REPORT APPENDICES

The following documents are to be published with, and form part of, the report:

- Report 2 Procurement Appendix 1: GVA - Construction Procurement Strategy Options & Recommendation



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Tunbridge Wells Borough Council Civic Complex Project

Construction Procurement Strategy Options & Recommendation

October 2017

Contents

| | | |
|----|--|---|
| 1. | Introduction..... | 1 |
| 2. | Key Drivers & Constraints | 2 |
| 3. | Two Stage Design & Build..... | 4 |
| 4. | Full PCR / OJEU Process or Public-Sector Framework | 6 |
| 5. | Programme | 8 |
| 6. | Recommendations..... | 9 |

Appendices

Appendix I OJEU Procurement Timescales

Appendix II Construction Procurement Routes

Prepared By: Chris Dumas
Status: Final
Draft Date: 27 October 2017

For and on behalf of GVA Acuity Limited

1. Introduction

- 1.1 This report addresses the procurement of the construction of the Civic Complex (referred to as the "Project" in this report), i.e. the proposed theatre, council / commercial office, car park and associated public realm.
- 1.2 The report has been prepared by GVA, with input from DAC Beachcroft, Aecom and project, procurement and legal officers from TWBC. Two workshops have been held to discuss the options, emerging strategy and to help shape the recommendations set out. The workshops were as follow:
- o 6th June – informed by the first draft of this report which set out the options and the mechanics, advantages and disadvantages of each option. This was attended by officers from TWBC who provided the Council's procurement priorities (see key assumptions – section 2.0). The workshop explored the options, came to the conclusion that a design and build route under a public sector framework was likely to best fit the Council's requirements and agreed to explore two specific public sector frameworks, Pagabo and Southern Construction Framework.
 - o 15th June – meetings held with 2 providers of public sector frameworks, Pagabo and Southern Construction framework.
- 1.3 This report does not cover the procurement of the redevelopment of the Civic Site (i.e. the existing Town Hall, the Assembly Hall Theatre, 9-10 Calverley Terrace with its associated car park and 30-36 Crescent Road), which is discussed in a separate Soft Market Testing report prepared by GVA, dated March 2017. It also does not cover the procurement of the surveying, planning consultancy, project management, contract administration / employer's agent and quantity surveying roles for the development of the Civic Site. These will be covered in a separate report prepared by the Council's officers.

2. Key Drivers & Constraints

- 2.1 We understand that TWBC's key drivers are as follows (Detailed descriptions of the various contractual arrangements mentioned are contained in Appendix II):
- Cost – the Project is procured within the approved Budget.
 - Quality – the completed Project meets the high standards required for a development of its status and highly sensitive location.
 - Risk – as far as possible the risk of delivering the Project is allocated to a single contractor that is experienced, competent and resourced to manage the risks and deliver the project successfully.
 - Disruption – the disruption to the locality and the Town due to construction operations is minimised in time, temporary loss of amenities, traffic and pedestrian movements, noise and dust etc. A single contractor is to be appointed to deliver the entire scheme concurrently.
 - Timescales – the project is delivered in the shortest overall time, whilst achieving the above objectives.
- 2.2 The procurement of the contractor must be carried out in accordance with the Council's obligations under OJEU regulations as embodied in Public Contracts Regulations 2015 (PCR 15). This obligation can be discharged either by adopting a full OJEU process (please see Appendix I for a fuller description) or by using and complying with a suitable and established public-sector framework agreement.
- 2.3 The Contract Sum needs to be agreed with a single contracting entity prior to TWBC agreeing to proceed to construction and entering into the contract. The Management forms of procurement (Construction Management and Management Contracting) do not allow for this and are therefore discarded from further consideration. Only Traditional and Design & Build are therefore considered further.
- 2.4 TWBC wishes to pass the design as well as construction risk as far as possible to the Contractor. The traditional form of procurement is therefore excluded from further consideration and Traditional procurement is therefore discarded from further consideration.
- 2.5 A major concern for TWBC in going down a Design & Build route is the potential for the contractor to prioritise commercial imperatives over the quality of design detailing and choice of materials so that the buildings and landscape ultimately fail to live up to their intended quality and status. The procurement process chosen (either the full OJEU process or use of a

public sector framework covered under Section 4 of this report) must therefore ensure that the design team taking the project forward has the skills and expertise to further develop the proposals and oversee their implementation in-keeping with the historic and sensitive nature of the proposed sites and maintaining the confidence of stakeholders through the remaining stages (RIBA 4 – 7).

- 2.6 Under current market conditions and expected to prevail through the procurement period for this project in 2018, contractors are unlikely to bid for a project of this scale and complexity on a single stage Design & Build basis. The bidding costs will simply be too high and the perceived risks too great when set against the chances of winning and if successful, then making a profit. There are many other more commercially attractive opportunities available to contractors. Single Stage Design and Build is therefore eliminated from further consideration.
- 2.7 Given 2.3 – 2.5 above, only Two-Stage Design & Build (2-Stage D&B) is therefore considered to meet the TWBC's objectives and market constraints. The implementation of this procurement route for this project is set out in Section 3 of this report.

3. Two Stage Design & Build

- 3.1 A Project Manager (PM) / Employer's Agent (EA) and Quantity Surveyor (QS) will need to be appointed directly by the Council in late 2017 / early 2018 to prepare the Employer's Requirement Document and procure the D&B Contractor in competition under a Pre-Construction Services Agreement (PCSA) which will cover the pre-construction period, i.e. the RIBA Stage 4 design and in parallel, the procurement of the trade packages through a structured open-book competitive process.
- 3.2 It is proposed that the D&B Contractor would be procured to carry out the pre-construction services during the planning determination period, with appointment only being made after a planning consent has been granted. Under the current programme, this procurement would take place between December 2017 and April 2018, with the pre-construction period (subject to planning consent) commencing in May 2018 and running for a period of approximately ten months.
- 3.3 Elements of the commercial terms of main contract, such as the preliminaries (i.e. contractor's site management and set up), overheads and profit, contract terms as well as any trade packages deemed sufficiently developed under Stage 3 can also be competitively tendered as part of this first stage procurement. From a qualitative perspective, tendering contractors would provide details of their proposed teams, methodology, logistics proposals, programme, package procurement process and also present their teams for interview. Selection of the Contractor for the pre-construction period (and on successful completion of stage 4 and finalisation of the Contract Sum for the construction itself) will be a result of a balanced and full consideration of all of these factors.
- 3.4 An inevitable feature of two-stage procurement is that whilst the sub-contract trade packages are procured in competition, the main contractor is not in direct competition at the point of finalising the contract sum. Contractors can simply take a different view of the cost of the risk that they will be taking and in more extreme situations seek to take advantage of their position. Techniques that minimise the chances of this occurring must be incorporated into the procurement and management process. The second stage must be managed intensively and with great commercial and practical astuteness by the PM/EA and QS on TWBC's behalf. The importance of this phase of the project should not be underestimated.
- 3.5 A Design Team could be procured directly by the Council to prepare the RIBA Stage 4 design and then this team could subsequently be transferred to the D&B Contractor under a novation agreement on completion of RIBA Stage 4 and agreement of the Contract Sum. Alternatively, the Council could procure a D&B Contractor that would take the Design Team under its wing from the start of RIBA Stage 4. Whilst the former route allows for greater direct

control of the design by TWBC, the Stage 3 Briefing and Design has been well developed and provided that a direct reporting route from the retained key members of the Design Team is established to the Council, the risk-transfer and commercial benefits of placing both the design and construction responsibilities under a single D&B contractor from the start of Stage 4 outweigh those of the Council re-procuring a Design Team and transferring this Team to the D&B Contractor under a novation agreement at the end of this stage. The suggestion is that the tendering contractors are asked to provide a bid to include key members of the existing Design Team but to be at liberty to propose others. Any alternative suggestions will be considered by TWBC and their Project Manager / Employer's Agent and Quantity Surveyor in evaluating the first stage tenders.

- 3.6 The intention is that the D&B contractor takes responsibility for all of the design carried out by the design team. As the design team will be under the D&B contractor, the D&B contract will need to allow for reporting from the designers to TWBC and its PM/EA and QS as well as contractual warranties from the designers.
- 3.7 The Project Manager / Employer's Agent and Quantity Surveyor's direct appointments with the Council would continue through the construction phase and delivery of the project but the design team would be under the D&B contractor on successful completion of the first stage and execution of the contract between the Council and the D&B Contractor.
- 3.8 The involvement of the contractor from the start of RIBA Stage 4 promotes and enables the contractor to contribute positively to design development, construction methodology, buildability and value engineering, thereby helping to reduce risks to the project and possibly reduce costs and programme.
- 3.9 The Cost Plan (Aecom - Cost Plan Stage 3, Cost Plan Nr2, Rev 1, 22nd September 2017), in common with the previous cost plans has been based on a single-stage Traditional form of procurement. Therefore, whilst the D&B Contractor's Pre-Construction fee has not been specifically allowed for, this would be covered through a combination of the Cost Plan allowances for preliminaries, risk contingencies and efficiency savings from the contractor's input during the pre-construction period.

4. Full PCR / OJEU Process or Public-Sector Framework

4.1 Full PCR / OJEU process

It is suggested that either a Restricted Procedure or Competitive Procedure with Negotiation is adopted, in order to limit the field of tenderers to selected contractors. Each procedure would work as follows:

| Restricted Procedure | Competitive Procedure with Negotiation |
|--|--|
| <ul style="list-style-type: none"> ○ Advertisement inviting expressions of interest is placed in OJEU and Contracts Finder (Contract Notice) | <ul style="list-style-type: none"> ○ Advertisement inviting expressions of interest is placed in OJEU and Contracts Finder (Contract Notice) |
| <ul style="list-style-type: none"> ○ All procurement and contract documents are published on the internet on the day of OJEU publication | <ul style="list-style-type: none"> ○ All procurement and contract documents are published on the internet on the day of OJEU publication |
| <ul style="list-style-type: none"> ○ Interested parties complete a shortlisting questionnaire (SQ) in order to shortlist them based on their financial standing and past experience of similar projects | <ul style="list-style-type: none"> ○ Interested parties complete a shortlisting questionnaire (SQ) in order to shortlist them based on their financial standing and past experience of similar projects |
| <ul style="list-style-type: none"> ○ Council evaluates and scores SQ submissions to create a shortlist of at least 5 tenderers | <ul style="list-style-type: none"> ○ Council evaluates and scores SQ submissions to create a shortlist of at least 3 tenderers |
| <ul style="list-style-type: none"> ○ Shortlisted tenderers prepare and submit tender submissions | <ul style="list-style-type: none"> ○ Shortlisted tenderers prepare and submit initial tender submissions |
| <ul style="list-style-type: none"> ○ Council evaluates tender submissions and selects a successful tenderer | <ul style="list-style-type: none"> ○ Council evaluates tender submissions and if it finds an acceptable tender can award the contract at this point without negotiation |
| <ul style="list-style-type: none"> ○ Council notifies all tenderers of the outcome of the process and details about the scoring and evaluation (10 day standstill period) | <ul style="list-style-type: none"> ○ Negotiation may take place with each of the tenderers to improve the content of the initial tenders |
| <ul style="list-style-type: none"> ○ Contract is awarded to successful tenderer | <ul style="list-style-type: none"> ○ Tenderers prepare and submit final tender submissions |

| | |
|--|--|
| | <ul style="list-style-type: none"> o Council evaluates final tender submissions and selects a successful tenderer o Council notifies all tenderers of the outcome of the process and details about the scoring and evaluation (10 day standstill period) o Contract is awarded to successful tenderer |
|--|--|

An example of the timescales involved in each of these procedures is set out in the Appendix 1 of this report.

4.2 Public Sector Frameworks

These are established for use by local authorities and other public sector bodies as a means of “fast-tracking” procurement based on the commercial and contractual arrangements already in place under framework agreements. The logic is that the contractors on these frameworks (panel contractors) have been procured by the relevant authority in full compliance with OJEU regulations and that provided that the rules of the framework are adhered to authorities such as TWBC can appoint the framework panel contractors either through a mini-competition or direct negotiation. Different public-sector frameworks have different rules and charging structures and the bodies that run them seek varying levels of involvement in the project, but the basic logic appears to be the same.

The ability to go to a mini-competition will save time and costs otherwise spent running a prequalification process. A further important benefit is that the two stage design and build process does not entirely fit with the OJEU process and whilst public sector bodies often procure projects on this basis, there is in theory, at least, appear to be some risk of challenge. This would be avoided under a public sector framework obviously provided compliance with the framework rules.

In developing this strategy we have met with two public-sector framework providers, Pagabo and Southern Construction Framework (SCF). Both have a panel of suitable contractors and provide suitable processes. Of the two frameworks, SCF is the more established and from our further investigations can support the process mapped out in this report to procure a Design and Build Contractor for this project.

5. Programme

5.1 On the assumption that the Full Council decides on 6th December to proceed with the Civic Development and that the Two Stage Design Route and Southern Construction Framework are both adopted, key dates for the procurement of the D&B Contractor are as follows:

| | |
|---------------------|---|
| Dec 2017 | Mini-Competition 1 (MC1) - Pre-qualification of shortlist from SCF's panel of 7 contractors. From initial soft-market testing of this list, anticipate that a minimum of three contractors will be interested in tendering for the project. |
| Jan 2018 – Mar 2018 | Mini-Competition 2 – Tendering contractors tender for the project. |
| Apr 2018 | Select Contractor and subject to obtaining planning consents, appoint contractor for the pre-construction period. |
| May 2018 – Apr 2019 | Pre-Construction Period |
| May 2019 | Appoint D&B Contractor for the Construction phase (subject to the date of obtaining vacant possession of the necessary sites). |

5.2 Adopting the above programme will enable the Council to keep the Project on track to meet the programme set out in the Stage 3 Report.

6. Recommendations

We recommend that:

- A Two-Stage Design and Build procurement route under an appropriate Public Sector Framework is adopted.
- The Southern Construction Framework has been considered in some detail and appears an appropriate framework for this Project, subject to separate advice from the Council's legal advisors. Other public sector frameworks may also be suitable.
- The programme set out in Section 5 is adopted.

Appendix I
OJEU
Procurement
Timescales

Tunbridge Wells Borough Council – Procurement Process Planner

The following provides an outline of the typical stages and timescales for a Restricted Procedure and a Competitive Procedure with Negotiation. We have noted where timescales are prescribed by the Public Contracts Regulations 2015 and other timescales have been estimated by us based on our experience of this process in practice. The timescales may be longer in reality if there are unexpected delays, and time should be built in for internal Council approvals and governance processes.

Restricted Procedure

| Timing | Stage | Comments |
|---------------------------------|--|--|
| Prior to OJEU publication | Draft OJEU contract notice (EU advertisement) and Contracts Finder notice (UK version) | The Regulations require an OJEU advertisement to be placed and in addition an advertisement in Contracts Finder which simply replicates the OJEU information |
| | Prepare Selection Questionnaire (SQ) | This stage involves short listing of candidates based on their financial standing and previous experience/capability |
| | Prepare Invitation to Tender (ITT) | The ITT is to be completed by short listed candidates following the SQ short listing stage. It requires submission of tenders. The ITT document must set out the evaluation criteria and weightings against which tenders will be evaluated |
| | Prepare development agreement/construction contract and all related specification/design information | All contract and specification and related documentation should be published on the internet on the date of publication of the OJEU contract notice |
| Day 0 | Issue OJEU contract notice and Contracts Finder advertisement | This formally starts the OJEU procurement process |
| Day 0 | Upload procurement documents onto portal, unrestricted and accessible to any interested parties | Documents must be available via the internet from the date of publication of the OJEU contract notice |
| Day 30 Mandatory minimum | Closing date for submission of completed Selection Questionnaires from interested parties. | Submissions to be received electronically via the portal |

| Timing | Stage | Comments |
|--|---|--|
| period of 30 days from OJEU notice dispatch | | |
| Day 31-45 | Evaluation of Selection Questionnaires | Typically, evaluators will review submissions in isolation and then meet in a moderation meeting (with all evaluators in attendance) to discuss and agree on consensus scores for each question for each bidder, to arrive at a final short list. As a minimum the top 5 ranking bidders must be taken through to the tender stage. We have assumed a period of 2 weeks for this stage |
| Day 45 | Notify candidates of the results of the SQ evaluation | Results should be notified to all bidders, with reasons for rejection provided to those who are unsuccessful at this stage |
| Day 45 | Issue final form of ITT | To be dispatched to all bidders who were successful at SQ stage. |
| Day 59 | Bidder briefing session | Typically a meeting or presentation attended by all bidders at which the Council's requirements are explained and there is an opportunity to ask questions of the Council either at the session or formally via clarification after the meeting. |
| Day 70 Mandatory minimum period of 25 days from issue of ITT1 | Closing date for submission of Tenders from bidders | Submissions to be received electronically via the portal. |
| Day 71-85 | Evaluation of Tenders | Typically, evaluators will review submissions in isolation and then meet in a moderation meeting (with all evaluators in attendance) to discuss and agree on consensus scores for each question for each bidder, to arrive at a final ranking with the contract being awarded to the highest ranking bidder. We have assumed a period of 2 weeks for this stage |
| Day 86-93 | Contract finalisation period | There should be no further negotiation at this stage, but some final issues may need to be confirmed. No material aspects of the bid can be amended during this stage. We have therefore suggested a period of 1 week for this stage |
| Day 94-104 | Dispatch of standstill letters to | Letters must be sent to the successful and unsuccessful bidders setting |

| Timing | Stage | Comments |
|-----------------------|---|--|
| | successful and unsuccessful bidders | out detailed information on the reasoning behind the scores awarded to the successful bidder. A ten calendar day period must be observed between dispatch of these letters and contract signature |
| Day 105 | Contract signed | Each party signs the contract |
| No later than day 135 | Contract award notice dispatched to OJEU and Contracts Finder | Details the successful bidder, contract value etc. Must be dispatched no later than 30 days after contract award |

Competitive Procedure with Negotiation

| Timing | Stage | Comments |
|---------------------------|--|--|
| Prior to OJEU publication | Draft OJEU contract notice (EU advertisement) and Contracts Finder notice (UK version) | The Regulations require an OJEU advertisement to be placed and in addition an advertisement in Contracts Finder which simply replicates the OJEU information |
| | Prepare Selection Questionnaire (SQ) | This stage involves short listing of candidates based on their financial standing and previous experience/capability |
| | Prepare Invitation to Submit Initial Tenders (ITT1) | The ITT1 is to be completed by short listed candidates following the SQ short listing stage. It requires submission of initial tenders. The ITT1 document must set out the evaluation criteria and weightings against which tenders will be evaluated |
| | Prepare draft Invitation to Submit Final Tender (ITT2) | This document sets out the requirements for submission of final tenders and confirms evaluation criteria and weightings against which final tenders will be assessed |
| | Prepare development agreement/construction contract and all related specification/design information | All contract and specification and related documentation should be published on the internet on the date of publication of the OJEU contract notice |

| Timing | Stage | Comments |
|---|---|--|
| Day 0 | Issue OJEU contract notice and Contracts Finder advertisement | This formally starts the OJEU procurement process |
| Day 0 | Upload procurement documents onto portal, unrestricted and accessible to any interested parties | Documents must be available via the internet from the date of publication of the OJEU contract notice |
| Day 30 Mandatory minimum period of 30 days from OJEU notice dispatch | Closing date for submission of completed Selection Questionnaires from interested parties. | Submissions to be received electronically via the portal |
| Day 31-45 | Evaluation of Selection Questionnaires | Typically, evaluators will review submissions in isolation and then meet in a moderation meeting (with all evaluators in attendance) to discuss and agree on consensus scores for each question for each bidder, to arrive at a final short list. As a minimum the top 3 ranking bidders must be taken through to the tender stage. We have assumed a period of 2 weeks for this stage |
| Day 45 | Notify candidates of the results of the SQ evaluation | Results should be notified to all bidders, with reasons for rejection provided to those who are unsuccessful at this stage |
| Day 45 | Issue final form of ITT1 | To be dispatched to all bidders who were successful at SQ stage. |
| Day 59 | Bidder briefing session | Typically a meeting or presentation attended by all bidders at which the Council's requirements are explained and there is an opportunity to ask questions of the Council either at the session or formally via clarification after the meeting. |
| Day 70 Mandatory minimum period of 25 days from issue of ITT1 | Closing date for submission of Initial Tenders from bidders | Submissions to be received electronically via the portal. |
| Day 71-85 | Evaluation of Initial Tenders | Typically, evaluators will review submissions in isolation and then meet in a moderation meeting (with all evaluators in attendance) to discuss and agree on consensus scores for each question for each bidder, to |

| Timing | Stage | Comments |
|--|--|---|
| | | <p>arrive at a final short list. We have assumed that no bidders will be de-selected at this stage although this can be done. We have assumed a period of 2 weeks for this stage</p> <p>Note that at this stage, if there is a proposal with which the Council is entirely happy and no negotiation is needed, the contract can be awarded without a negotiation stage</p> |
| Day 86-107 | Tender negotiation meetings | <p>Negotiation meetings will be held individually with each of the remaining bidders in the process to discuss and develop their initial tenders, if required.</p> <p>We have assumed that 3 meetings with each bidder (1 meeting per bidder per week) will be enough for this stage but there are no prescribed limits or requirements for the negotiation stage, how long it should take etc and this period may take longer than the planned 3 weeks depending on the issues to be discussed and how quickly they can be agreed with each bidder.</p> <p>During this period the Council can request informal written submissions on which to base further negotiations if required</p> |
| Day 107 | Close negotiations and issue Invitation to Submit Final Tenders (ITT2) | ITT2 to be dispatched electronically |
| Day 121 No prescribed minimum period for final tender preparation | Closing date for submission of Final Tenders | Submissions to be received electronically. We have suggested a final tender preparation period of 2 weeks. |
| Day 122-143 | Evaluation of Final Tenders | Typically, evaluators will review submissions in isolation and then meet in a moderation meeting (with all evaluators in attendance) to discuss and agree on consensus scores for each question for each bidder, to arrive at a final ranking with the contract being awarded to the highest |

| Timing | Stage | Comments |
|-----------------------|---|--|
| | | ranking bidder. We have assumed a period of 2 weeks for this stage |
| Day 143-150 | Contract finalisation period | There should be no further negotiation at this stage, but some final issues may need to be confirmed. No material aspects of the bid can be amended during this stage. We have therefore suggested a period of 1 week for this stage |
| Day 150 | Dispatch of standstill letters to successful and unsuccessful bidders | Letters must be sent to the successful and unsuccessful bidders setting out detailed information on the reasoning behind the scores awarded to the successful bidder. A ten calendar day period must be observed between dispatch of these letters and contract signature |
| Day 161 | Contract signed | Each party signs the contract |
| No later than day 191 | Contract award notice dispatched to OJEU and Contracts Finder | Details the successful bidder, contract value etc. Must be dispatched no later than 30 days after contract award |

Appendix II
Construction
Procurement
Routes

1.0 Traditional Lump Sum

The Traditional Lump Sum procurement route is historically the most widely used, and hence familiar, method of appointing a contractor, who takes responsibility for delivering the project to an agreed price and programme and it is the system by which the majority of construction contracts are let in the UK. There are various different forms of contract available for use with this procurement route, dependant upon the value of the project and the nature of the works and there are a number of variations to the basic model, which have been developed over the years.

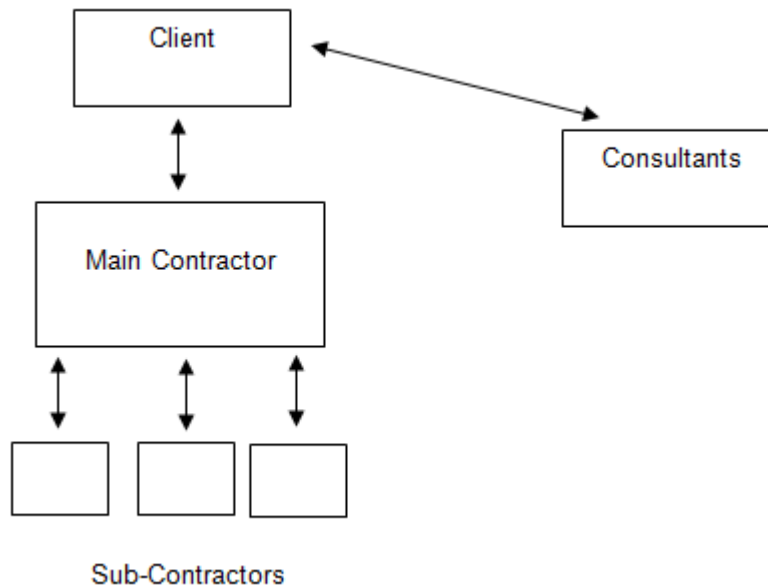
The traditional lump sum approach can be summarised as follows:

- The brief is agreed between the Client and the Architect.
- The Design Team produce a full set of design information, with all aspects of the project drawn and specified to a significant level of detail.
- Bills of Quantities or pricing schedules are produced by the Quantity Surveyor, based on this detailed design information.
- Typically between 4 and 6 main contractors are selected, normally on the basis of a pre-qualification enquiry document and pre-tender interviews. The purpose of this process is to establish which contractors have the appropriate experience and expertise, the right team available, the right systems in place to manage the project, etc.
- The pricing documents are sent out to these selected contractors who submit a lump sum price and programme for the project.
- These tenders are evaluated by the Quantity Surveyor, the Design Team and the Client, in order to establish the best value offer.
- A contract is placed with the selected tenderer and, after an appropriate lead in period, work commences on site.
- Generally speaking, the main contractor will sub-let most, if not all, of the work to sub-contractors but he takes full responsibility for the performance, and the work, of those sub-contractors.
- The client retains responsibility for the Design Team and any further design development by that team after the appointment of the main contractor is deemed to be a variation under the contract, potentially entitling the contractor to additional payment, and if appropriate, additional time.
- Typically the Client also bears the responsibility for other risks such as unforeseen ground conditions, failure on the part of utilities and statutory authorities, exceptionally inclement weather, etc.

Traditional Lump Sum/contd.

Contractual Arrangement

The contractual structure of this arrangement is shown below:



Why use this particular procurement method?

- It is the most widely used and understood procurement method in the UK. There are, therefore, a greater number of main contractors who are able to offer this arrangement.
- It leaves the Client in total control of design development and therefore, enables the Client to determine the quality of design and specification.
- It provides a good level of information to the contractor prior to his appointment and starting work on site and thus enables him to properly price and programme the project and assess the risks associated with it.
- The Main Contractor commits to a firm price and programme based on the information provided to him and there is, therefore, a significant transfer of the construction risk from the Client to the Contractor. Whilst the Client retains some element of risk, the primary risk of constructing the scheme to the required quality, in the time available and to the agreed price, rests with the Main Contractor.
- The Main Contractor takes total responsibility for the performance of the sub-contractors and for any financial failure of a sub-contractor.
- The Main Contractor provides a single point of responsibility for dealing with future defects in materials and workmanship.
- Because there will be Bills of Quantities or detailed pricing schedules, it is generally easy to value any client changes in the design and specification.

Traditional Lump Sum/contd.

Risks

The following issues arise for a Client in relation to a Traditional Lump Sum procurement arrangement:

- The main disadvantage is that, because there is no overlap in the design and construction process, the time elapsed before a start on site can be made is significantly longer. The time taken to prepare sufficiently detailed and co-ordinated design information, tender the project, evaluate the tenders received and appoint a main contractor, together with a mobilisation period for the Contractor, can amount to 12 months or more.
- The Main Contractor is not involved in the design development process and because there is no early involvement, there is no input into site logistics, buildability, value engineering, etc.
- The robustness of the Contractor's offer, in terms of price and programme, is entirely dependent upon the quality of the design information which is provided to him for tender. If there is significant design development or change in the design after the appointment of the Main Contractor, then this will significantly weaken his commitment to price and programme.
- Because there is a significant transfer of construction risk from the Client to the Main Contractor, this type of contractual arrangement can be adversarial. Contractors will often tender at very competitive prices if they believe that they can subsequently improve their profit margins by pursuing claims for additional payment in respect of client changes, design development, provision of late information from the Design Team, etc.
- The Client takes responsibility for the performance of the Design Team – if the design information is incorrect, uncoordinated or issued late then the Contractor potentially has a claim for additional payment and an extension to his contract period.
- It is difficult to remove the Contractor in the event of his non-performance. Unlike Construction Management, all of the sub-contracts are held by the Main Contractor and he is given complete control of the site. It is, therefore, difficult to remove him, whilst maintaining the sub-contract in place, in the event of his non-performance.
- In the event of claims for delay / disruption to design and / or construction, nobody in the Client team is in a good position to defend against them, unless there is a full-time client representative who is close to the design / construction programme management.
- There will be substantial elements of contractor design (e.g. piling, steel fixings, cladding, roof, sprinklers, alarms, BMS, etc.) and there is a risk of interface problems between contractor and consultant design elements.

Summary

The sequence of the project is characterised as being 'end to end', that is, one process must end before the next in the sequence may begin. As a result the overall delivery period for a project is maximised. The sequence of activities undertaken with the Traditional procurement strategy is shown below:



| Advantages | Disadvantages |
|--|---|
| <ul style="list-style-type: none"> ○ client has potential cost certainty before start of construction. ○ competitive fairness. ○ satisfactory public accountability. ○ procedures well known. ○ easy to arrange and value changes. ○ the main contractor takes responsibility for sub-contractors performance / works. ○ design team are under the client's control throughout – the client maintains control over development of design and quality. ○ sub-contractors are under the main contractor's control. ○ single point responsibility for future defects in materials and workmanship. | <ul style="list-style-type: none"> ○ slow to start on site (no parallel working). ○ contractor not involved in design or planning. ○ reliant on quality and completeness of tender document. ○ adversarial. ○ can be subject to costly 'claims' if design information is issued late or incomplete. ○ degrees of cost certainty can be reduced by volume of client / design team change. ○ client takes responsibility for design team performance. ○ difficult to remove the contractor in the event of non-performance. |

Two Stage Tender

The traditional route can be accelerated by overlapping the design and construction and adopting a 'two stage' approach. This typically involves the selection of a main contractor through preliminary proposals (pricing of his own costs for managing and running the site plus his mark-up on sub-contractors prices), and subsequent tendering of sub-contract packages on an open-book basis. The Contractor then commits to a lump sum price, and to a completion date, once all (or almost all) sub-contracts are tendered.

2.0 Design and Build

The previous option leaves the design team under the control of the Client for the duration of the project. Under the Design & Build approach the design team are employed by the Client during the early stages, but are then employed by the Contractor, once he is appointed, to complete the design. Sometimes the clients design team are novated to the Contractor and on other occasions he employs his own team (with the Client often retaining the original team as design 'policeman', making sure that the contractor's design is of an acceptable quality and meets their requirements). The Contractor gives a lump sum price and a commitment to complete the design and construction by an agreed date based on a set of 'Employer's Requirements', which set out the basic design and specification criteria for the project.

The approach is, therefore, quite similar to the traditional route, except that the design is not developed to the same level of detail prior to tendering the project and the Contractor's tender will include due allowance for this future design development. After his appointment, the Main Contractor will complete the design, either using the Client's Design Team or his own team. On projects of this nature, it is normal for the Client's Design Team to be novated to the Main Contractor to allow continuity in the design process and to provide the Client with the confidence that the Design Team have the experience and expertise to complete the design to the required standard.

The Client will then appoint an 'Employer's Agent' to administer the contract, which will obviously not be the Architect if he is novated to the Contractor. In the event of the Client's Design Team being novated, then the Client will generally appoint a 'Monitoring' Team to check that the design being submitted by the Contractor is fully in accordance with the Employer's Requirements. More recently rather than appointing separate design organisations, clients have been appointing a different individual from within each of the novated Design Team organisations, to act in an independent capacity as the design 'policeman'. Under this arrangement, there would be 'Chinese walls' between the independent 'policeman' and the other members of his organisation working on the project.

Why use this particular procurement method?

- This method of procurement provides a single point of responsibility for all construction matters – the Main Contractor takes responsibility for delivering the project to the required quality, at the agreed price and within the agreed programme. In the event of any future defects in design, materials or workmanship then it is the Main Contractor's responsibility to rectify these problems. This avoids the situation where a Main Contractor, or his Sub-Contractor, might argue that the defect is the result of defective design, rather than his materials and workmanship, as could be the case in a situation where he takes no responsibility for that design.
- The Main Contractor is able to develop the design to suit his preferred construction methods and he is, therefore, able to inject at least some degree of buildability into that final design.
- A firm price and programme for the project can be obtained a little earlier than under the traditional procurement route. This allows earlier Contractor involvement in matters such as site logistics, health and safety, etc.
- There is a reduced administrative burden for the Client, as the Main Contractor takes on the role of managing the Design Team and design development, and there is less Client involvement required in decision making as, again, this is largely delegated to the Main Contractor.

Appendix N

- The Contractor takes full responsibility for Sub-Contractor performance and for any financial failure of a Sub-contractor.

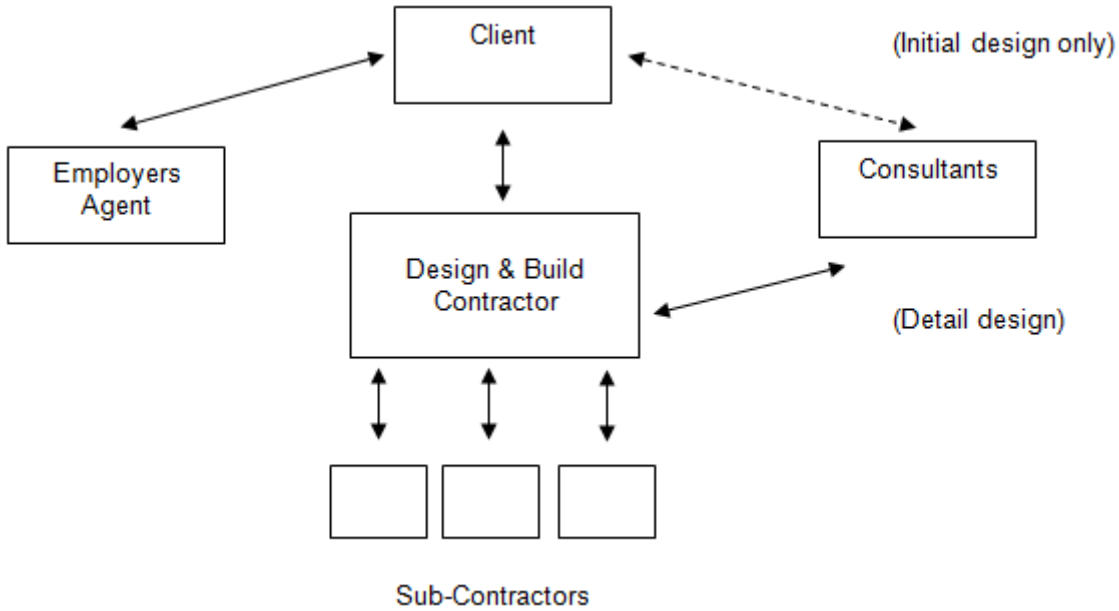
Risks

- The Client needs to commit himself to the appointment of the Main Contractor before the design is complete and places his trust in that Contractor to complete the design to the appropriate standard.
- There are relatively fewer construction companies offering design and build than the traditional route and consequently there is less competition, which can lead to higher prices.
- It can be difficult for Client's to prepare a fully detailed brief in time to have this adequately reflected in the design intent issued for tender. Much of the detail in the brief is often developed as the design is developed but under a design and build route it is important that the brief is fully developed prior to the appointment of the Main Contractor.
- It can be difficult to compare tenders received from Contractors, either because they do not make clear what assumptions they have made in respect of future design development or they may offer different design / specifications, which are difficult to compare in terms of price and quality.
- There is the potential for the design quality to suffer due to the design and build Contractor being primarily cost driven – the Contractor's interest is in designing for ease of construction and to the lowest cost, rather than considering what is best value in terms of the long term performance and operation of the completed building.
- The Design Team are under the control of the Contractor and any discussion with them therefore needs to be via the Contractor. This can prove a hindrance in the design development process and in taking account of any future client changes.
- It is particularly difficult to remove the contractor in the event of his non-performance, as all the design consultants and sub-contractors are contracted to the Main Contractor.
- If there are any weaknesses in the Employer's Requirements (which set out the details of the Client brief) then the Contractor is likely to exploit these – it is, therefore, important to ensure that there is a very comprehensive set of Employer's Requirements prior to the Contractor's appointment.
- It's not possible to appoint the Contractor as early as under the Construction Management or Management Contracting routes, so there will be no input into logistics, buildability, etc, in the early stages of design development.
- Inevitably a risk premium is paid to the Main Contractor and / or his Sub-Contractors, to reflect the degree of risk which is transferred to them.
- Because the risk is transferred, there tends to be a more adversarial relationship between the Client and the Contractor and there may be more of a 'claims culture', whereby the Contractor seeks to exploit to the full any opportunities to increase his price or programme.
- The level of professional fees could be higher, due to the need to appoint a 'monitoring' team, to ensure that the contractor's design meets the Employers Requirements.

Design and Build/contd.

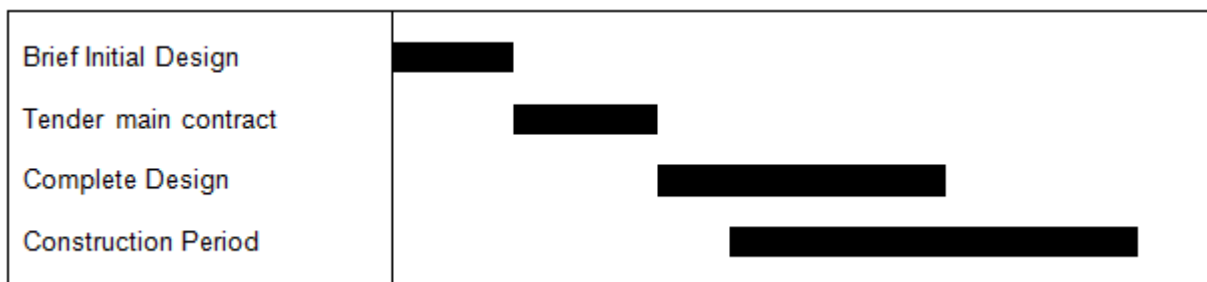
Contractual Arrangement

The contractual arrangement is indicated below:



Summary

The sequence of activities executed under the design and build route can be summarised as follows:



Design and Build/contd.

Summary of Advantages & Disadvantages

| Advantages | Disadvantages |
|--|---|
| <ul style="list-style-type: none"> ○ single point contact and responsibility. ○ inherent buildability. ○ early firm price possible. ○ reduced total project time. ○ contractor takes responsibility for the management and performance of the design team. ○ allows earlier contractor involvement than the Traditional route. ○ reduced administrative burden for the Client and less Client involvement required in decision making. ○ contractor takes responsibility for sub-contractor performance. ○ contractor takes responsibility for sub-contractor financial failure. ○ contractor takes responsibility for defects in design, materials and workmanship. | <ul style="list-style-type: none"> ○ client needs to commit himself before design is complete. ○ relatively fewer firms (less competition). ○ difficult for clients to prepare adequate brief. ○ bids can be difficult to compare. ○ client driven changes can be expensive. ○ potential for design quality to suffer due to the Design & Build contractor being primarily cost-driven. ○ the design team are under the control of the contractor and all discussion with them has to be via the contractor. ○ the contractor's interest is in designing to the lowest cost, rather than the best value / best life cycle costs, etc. ○ difficult to remove the contractor in the event of non-performance. ○ requires a very comprehensive set of Employer's Requirements (setting out the details of the Client Brief) before appointment of the Contractor, so no early contractor involvement (single stage). ○ a risk premium is paid to the main contractor and / or sub-contractors. ○ because risk is transferred, there tends to be a more adversarial relationship between Client and Contractor – may be more of a 'claims culture'. |

3.0 Two Stage Traditional / Design and Build

Whilst there is an obvious attraction to selecting a contractor on the basis of a firm price and programme, tendered against a (substantially) complete design, this does mean that there is no contractor input during the early design development stage and the start-on-site date will be delayed whilst the design is developed to a suitably advanced stage, to enable a contractor to submit a firm price and programme.

To speed up this process, it is necessary to commit to a contractor before you have a commitment from him on price and programme, although it is possible to do this whilst still maintaining a significant degree of competition in the pricing.

The Traditional route and the Design and Build route can both be accelerated by increasing the amount of overlap between design and construction and adopting a 'two stage' approach. This typically involves the selection of a main contractor through preliminary proposals (pricing of his own costs for managing and running the site plus his mark-up on sub-contractors prices), and subsequent tendering of sub-contract packages on an open-book basis. The Contractor then commits to a lump sum price, and to a completion date, once main sub-contracts are tendered, or at least the majority of sub-contracts are tendered.

The Contractor therefore acts during the first stage like a Construction Manager, providing construction advice, management skills, etc and assisting in the procurement of the early trade packages. Once approximately 70-80% of the value of the project has been procured then the contractor commits to a lump sum price (calculated on the basis of his original tender, applied to the sub-contract values obtaining during the first stage) and to a programme. Thereafter, the contractor bears the risk on costs and programme, save for specified events, notably client change, discovery of the unknown in the existing building, planning or other statutory changes, etc.

3.1 Two Stage Traditional

The two stage traditional lump sum fixed price procurement method is designed to:

- Shorten the pre-construction period by overlapping the design and procurement processes;
- Ensure price competition (to the extent that the programme allows);
- Provide Contractor input to 'buildability' issues during the pre-construction stage;
- Retain Client control over design and materials and hence, quality of the finished product;
- Provide the ability to introduce and accommodate late design and material changes;
- Retain Client control over choice of sub-contractors;
- Transfer a proportion of the remaining risk to the Contractor including any design development and co-ordination risk outstanding at the point at which the second stage contract is entered into; and
- Secure programme commitment from the Contractor before the first stage contract is entered into, with liquidated and ascertained damages recoverable from the Contractor if he then completes late.

Appendix N

The Main Contractor is appointed at a time when the Scheme Design is complete, a full set of layout drawings describing the scheme have been produced but not full Detailed Design and a detailed Cost Plan has been prepared and agreed by all parties.

The Main Contractor would normally be selected on the basis of a competitive first stage process during which each bidder would submit prices for:

- Pre-construction services; to include advice in relation to buildability, liaising with the Design Team and organising the tendering of sub-contract packages;
- Their own site management staff;
- Their own site preliminaries including items such as site accommodation, welfare facilities, site security, hoardings, insurances, etc;
- Preliminaries items such as tower cranes, scaffold and other temporary works, if the design is sufficiently developed to enable these to be properly priced;
- Programme permitting, there is also an opportunity to ask the contractor to offer a fixed price for an element of the early structural packages such as the basement box construction
- A mark-up for their own overheads and profit;
- A mark-up including risks on sub-contract works which are subsequently to be jointly open-book tendered during the second stage with the Design Team;
- A margin for risk (usually expressed as a percentage) which will be added to the value of any work which remains to be designed, co-ordinated and tendered at the time when a second stage Contract is entered into (which represents the Main Contractor's risk on these items); and
- In addition, it is possible to ask the Main Contractor at the end of the second stage process to provide a Guaranteed Maximum Price (GMP).

As part of the Main Contract first stage bid process, the QS's Cost Plan showing the anticipated value of all sub-contract works would be issued to the main contract tenderers for information and review. Bidders would be asked to make comment upon the perceived adequacy of the allowances within this Cost Plan and upon appointment, the successful Main Contractor would be asked to confirm their agreement to the Cost Plan (incorporating any agreed amendments). There would, however, be no binding commitment to the Cost Plan at this stage.

It would be usual to interview all main contract tenders (unless there was a particular reason not to do so) with the final selection being made on a combination of financial offer, team proposed, relevant experience, financial standing and general attitude towards the project.

During the period when main contract tenders are being sought, the Design Team would embark upon the detailed design with a view to the work being tendered to Sub-contractors on a sequential basis once the Main Contractor is appointed. If programme requires, packages of work can be tendered to sub-contractors prior to the Main Contractor being appointed, but it is usually best to channel all sub-contract tenders through the Main Contractor to ensure all matters such as terms and conditions, attendances and the like are properly co-ordinated by and become the responsibility of the main Contractor.

Tender lists for sub-contractors are pre-agreed between the Client / Design Team and Main Contractor with the usual right for reasonable objection on the part of either party.

Appendix N

Sub-contract tenders are competitively bid, opened in the presence of the Cost Consultant and jointly reviewed by the Main Contractor and Design Team and a joint recommendation is made to the Client regarding appointment. The Main Contractor will be obliged to enter into Sub-contract with the lowest tenderer (unless for reasons such as best value for money, the Client should otherwise direct).

In some cases, sub-contractors commence design & procurement activities immediately upon appointment (ahead of the second stage main contract coming into operation) and the mechanism for underwriting any design, fabrication or other costs incurred during this period needs to be pre-agreed with the Client. It could be possible for the main contractor to be operating under a Letter of Intent at this stage and this would normally cover (or periodically be extended to cover) expenditure incurred by the main contractor and sub-contractors which has previously been agreed by the Client (to maintain programme).

At a pre-agreed juncture (normally when 70-80% by value of the project has been competitively tendered) a contract sum is fixed with the Main Contractor based upon the aggregate of:

- The original pre-construction services tendered;
- The original site management staff tendered;
- The original preliminaries cost tendered;
- The value of tendered sub-contracts together with the Main Contractor's tendered overhead and profit / risk mark-up and risk thereon;
- The cost plan value of any untendered work together with the overhead and profit / risk mark-up previously tendered;
- A contingency sum (which can only be expended upon Client instructions) and;
- If applicable, an allowance for a GMP.

If the Client agrees to the price offered by the Main Contractor at this point, the contract sum becomes fixed. If the Client was unhappy with the lump sum bid by the Main Contractor at this point, then he will be able to require the Main Contractor to carry on bidding the remaining packages on an open book basis in the same manner as the earlier packages.

It would, of course, be possible to attempt to agree a Contract Sum at an earlier juncture, but it would clearly be the case that a premium would be paid in such circumstances representing the additional risk which the Main Contractor was being asked to assume. On the basis that sub-contract tenders are coming in broadly within the agreed Cost Plan, it would be usual to leave the agreement of the Contract Sum to as late as possible.

3.2 Two Stage Design and Build

This works in exactly the same way as the Two Stage Traditional route except that at the point that the contract sum and programme is agreed with the Contractor (i.e. at the point of conversion from a Construction Management approach to a lump sum contract) then the design team is novated to the Contractor. The Contractor then takes responsibility for the production of the remaining design information, ensuring that it is produced in time to meet his programme, that it is properly co-ordinated, etc. and he also takes responsibility for the completed design.

If there are then any additional costs incurred due to late design information or due to the consultants and /or sub-contractors designs not being properly co-ordinated, then these costs are borne by the Contractor (and / or his sub-contractors / consultants) and NOT by the Client, as under the Traditional route. Similarly, if there are any defects in the design then the Contractor takes single point responsibility for dealing with these.

3.3 Disadvantages of the Two Stage Approach

Because the contractor is appointed earlier in the process under this two stage route, it is possible to obtain construction advice on how best to build the project and it also enables an earlier start to be made on the works than under the traditional route, where the design has to be nearly complete before a contractor can be appointed. There are, however, distinct disadvantages with this approach, notably:-

- Once the contractor has been appointed for the first stage he has the upper hand in any negotiations, as it would be extremely difficult to remove him without significantly delaying the programme and, almost certainly, adding to the cost.
- As a result of this, it is quite common for contractors to take advantage of the situation and look for every opportunity to increase the cost and programme period. In particular, because the final contract sum is calculated by the accumulation of the sub-contract tenders received during the initial stage, then it is actually in the main contractor's interest for these tenders to be as high as possible, as the higher the sub-contractor's price the less likelihood of the sub-contractor subsequently making claims against the main contractor and also the main contractor's mark-up is usually a percentage of the tender value. The contractor may, therefore, try to 'talk-up' the sub-contract tender prices.
- It is very common for contractors to find excuses for delaying the point at which they commit to a price and programme and there are many examples of two stage contracts where the contractor has avoided committing until the project is nearly complete. By doing this, he obviously manages to avoid the client transferring the risk to the contractor, which is clearly to his benefit.

Appendix N

- Once the contractor has committed to a price and programme then there is a risk that he will adopt an adversarial position and become 'claims conscious', concentrating on protecting his own position rather than that of the client. As a result, he may encourage his sub-contractors to 'manufacture' claims, in the hope that he can benefit from them.
- The contractor may (and probably will) look for reasons to transfer risk back to the Client, to weaken his commitment to price and programme and hence reduce his liability for non-performance – the ability to do this will depend on the scope of changes to the project.
- It is not uncommon for the main contractor when confirming his lump sum price at the end of the first stage to come back with a figure considerably higher than had previously been advised, often explained as the result of having a better understanding of the risks associated with the project. The ability to deal with such issues obviously depends on the relative negotiating position of the two parties – by this stage the contractor usually has the upper hand, due to time constraints.
- The contractor may insist on fairly onerous sub-contract terms (back-to-back with the main contract), which could result in higher prices, particularly on smaller packages.

These risks can be partially mitigated through the adoption of a number of initiatives to strengthen the client's position at the end of the second stage:-

- **Maintain an exit strategy.** Negotiation on two stage tenders relies on good deal of 11th hour brinkmanship. Key attributes of the exit strategy are that bidders must know that it exists, it must be credible and its operation must have a negative consequence for the preferred tenderer. Exit options include:-
 - Retain the option to proceed to full single stage tender in competition after the completion of the first stage
 - Use the client's not to exceed (NTE) budget as a cost threshold that will trigger a separate, single stage competitive process
- **Don't start too early.** The first stage tender must be based on sufficiently firm design so that the contractors programme and preliminaries are not subject to renegotiation in the second stage.
- **Don't start on site under the direction of the main contractor prior to the agreement of the second stage.** Instructing work on the basis of a letter of intent is a high risk option on any project, and will undermine the clients exit strategy on a two stage scheme
- **Maintain the quality of the design information.** Avoid the acceleration of the production information programme to meet the timescale for the second stage if this will compromise the issue of complete design information.
- **Early procurement of tender packages.** Include works packages in the first stage tender in order to ensure they can be priced on the basis of a competitive rather than a negotiated tender,

obviously bearing in mind the previous point. Package contractors (such as cladding) can also tender directly to the client for later novation to the successful contractor.

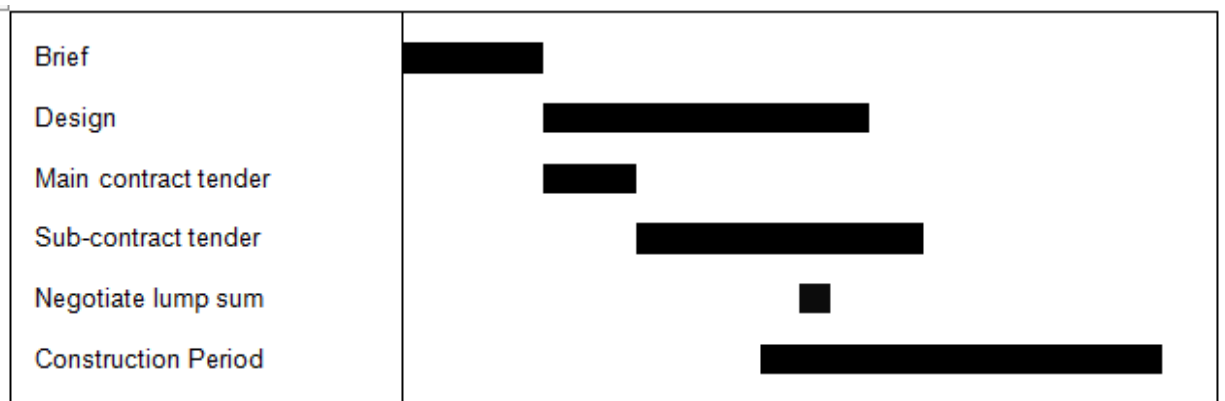
- **Establish clear roles and responsibilities for the tenderers.** No pre-construction services agreement (PCSA) can compel a contractor to submit a competitive bid. However the PCSA can clarify the contractor's role with regard to the continuing development of the design, their responsibility for the management of the design team during the second stage and the targets that need to be met to complete the second stage. In effect the PCSA should aim to set out the basis on which the client can revert to Plan B without penalty.
- **Agreement of design development risk allowances as part of the first stage tender.** One of the major problems with the second stage negotiation on design and build contracts is the "below the line" risk allowances for design development and so on that contractors add to the second stage package tenders. These main contractor costs are usually included within the gross costs of the package tenders and are not subject to any form of benchmarking.

They are potentially a significant source of loss of cost control during the second stage. Pricing of risk allowances can be included as part of the first stage bid, but other than the adoption of a wholly open book approach to pricing, there is no guarantee that these additional allowances are not subsequently included in subcontractors' costs in the second stage

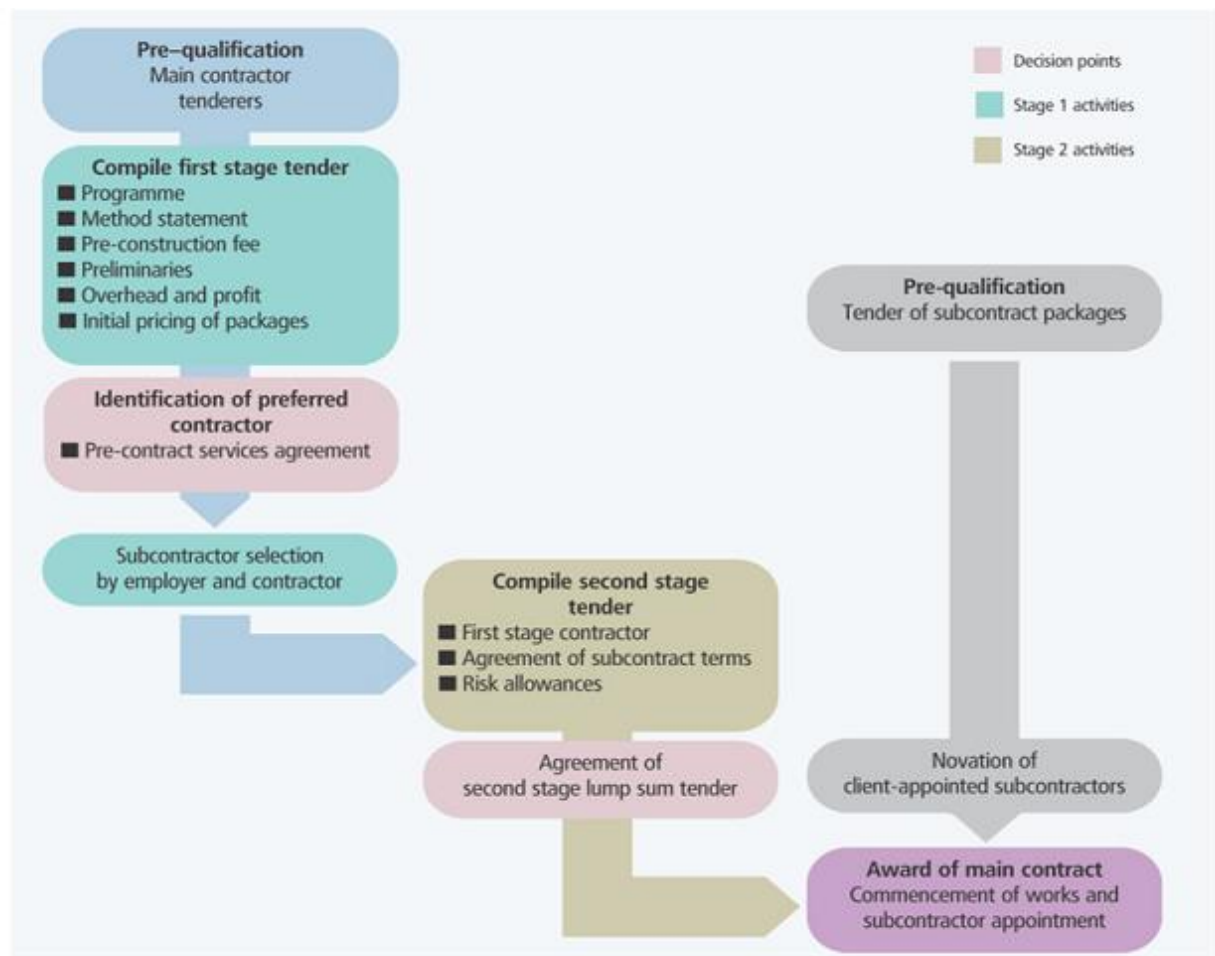
- **Greater client involvement in the second stage procurement of subcontractors.** Active involvement by the client's consultants in the procurement of subcontractors helps to ensure that the negotiation proceeds on an even handed basis. Areas where the project team can contribute include the shortlisting of the subcontractors, the preparation of tender documents and the opening of tenders.

3.4 Summary

The sequence of activities can be summarised as follows:



And the main processes summarised as follows:-



3.5 Summary of Advantages and Disadvantages.

| Advantages | Disadvantages |
|--|--|
| <ul style="list-style-type: none"> ○ Early appointment of the contractor, potentially bringing forward the completion of the project. ○ Promotes a specific focus during the later stages of design on issues of buildability and economic construction ○ Second stage tender should be based on more complete information and a better understanding of the scope of works, so the final account should be | <ul style="list-style-type: none"> ○ Provides the client with the temptation to go to the market with incomplete information, potentially resulting in an unenforceable first stage tender ○ Can be used to mask the inadequacy of design development on a project ○ Additional cost of a pre-construction fee ○ Costs of second stage tenders tend to be higher because of negotiated |

Appendix N

| | |
|---|--|
| <p>closer to the contract sum</p> <ul style="list-style-type: none">○ Opportunity to obtain contractor buy-in to the client's viability model through agreement of not to exceed costs at the end of stage one.○ Ability to continue the development of the design during the second stage in conjunction with the main contractor and specialist subcontractors.○ Improved identification of project risks within a timescale where action can be undertaken○ Reduced main contractor bidding costs○ Open book approach to subcontractor tendering○ Ability to procure packages ahead of first stage tender – to be incorporated into second stage via novation○ Client has no contractual commitment beyond the PCSA prior to the completion of stage two | <p>premiums and the inclusion of additional risk transfer allowances. The second stage tender could also provide the opportunity to talk up prices</p> <ul style="list-style-type: none">○ Use of two stage tendering does not eliminate many sources of scope change or alter the contractual provisions for dealing with change – as a result, these risks are not eliminated○ Contractors are potentially able to use the second stage to refine their position for post contract negotiations based on their improved knowledge of the design○ Not to exceed cost and completion date are not binding prior to the finalisation of the contract○ Potential to undermine the scope of agreed first stage deliverables if design development results in scope changes○ Risk of contractor including substantial 11th hour inclusions for risk at end of the second stage, when the client has limited alternative courses of action○ Increased input of client and consultants during second stage tender○ Difficulties in verifying that subcontractor costs are net of main contractor allowances○ Opportunities to transfer costs of main contractor allowances for preliminaries and design development risk to second stage packages, reducing transparency of the first stage competition○ Potential interface risks and cost premiums |
|---|--|

| | |
|---|-------------------------|
| Planning and Transportation Cabinet Advisory Board | 13 November 2017 |
| Finance and Governance Cabinet Advisory Board | 14 November 2017 |
| Communities Cabinet Advisory Board | 15 November 2017 |
| Is the final decision on the recommendations in this report to be made at this meeting? | No |

3 – Civic Complex

1. EXECUTIVE SUMMARY

- 1.1 This report covers the existing Civic Complex and the proposed strategy and mechanisms for managing its disposal to ensure best consideration having regard to the historic integrity of the buildings and their locational and social significance in the Town.
- 1.2 A brief has been developed by Allies & Morrison which sets out the site's planning potential. This document provides more detailed guidance for the options to re-use the existing buildings beyond the Planning Framework Document which was adopted in September 2017.
- 1.3 The potential for alternative uses of the Town Hall and Assembly Hall Theatre other than residential use has been investigated by GVA on behalf of the Council and these are outlined in the report. These include demand for the following uses to occupy a large quantum of the site or to become the predominant use.
- Office (conventional letting or serviced office)
 - Hotel
- 1.4 And demand for the following uses to occupy a sizeable albeit lesser quantum of the site, perhaps subservient to a more predominant use.
- Restaurant
 - Leisure (Has potential, albeit medium - low strength)
- 1.5 More specific uses such as healthcare, and educational purposes have been deemed by agents as plausible, but dependent on specific demand closer to the time of marketing.
- 1.6 Developers could seek to acquire the Civic Complex site as a standalone project as far back as 24-18 months prior to the earliest starting point for construction (in this case vacant possession). On the basis of the Council

vacating the Civic Complex during the first quarter of 2022 would mean disposal in 2020. This will allow time to undertake sufficient due diligence, optimise a scheme for planning.

- 1.7 The report states that overall the Town Hall and Assembly Hall site is expected to be desirable amongst developers and occupiers alike and has a low risk of sitting vacant for an extended period of time.

2 INTRODUCTION AND BACKGROUND

- 2.1 This report covers the existing Civic Complex and the proposed strategy and mechanisms for managing its disposal to ensure best consideration having regard to the historic integrity of the buildings and their locational and social significance in the Town.
- 2.2 For the purposes of this report the Civic Complex is defined as the Town Hall, the Assembly Hall Theatre, 9-10 Calverley Terrace and 30-36 Crescent Road, Royal Tunbridge Wells. The buildings are identified on the location plan at Appendix 1 attached to the Covering Report.
- 2.3 The Town Hall and the Assembly Hall Theatre form part of the Civic Suite of Buildings constructed in the late 1930s (with the exception of the library and museum building which was built later and opened in 1952). The fourth building in the Civic Suite is the Police Station. The Library and Museum building is currently in the freehold ownership of Kent County Council although TWBC is currently working with KCC to develop a brand new Cultural and Learning Hub at that location. The Police Station is in the freehold ownership of Kent Police (under the authority of the Police and Crime Commissioner) and the freehold titles of the Town Hall and Assembly Hall Theatre are owned by TWBC.
- 2.4 9-10 Calverley Terrace comprises an original pair of Decimus Burton villas which had been converted to office use in the past and are now becoming obsolete for office use without major refurbishment. The Council holds the freehold of this asset.
- 2.5 30-36 Crescent Road comprises a terrace of 7 Victorian mixed residential and retail units which are partly occupied and partly vacant. The freehold titles of these assets are held by the Council.
- 2.6 The Civic Complex buildings are situated within a conservation area and 9-10 Calverley Terrace, the Town Hall and the Assembly Hall Theatre (together with the Museum and Library and the Police Station) are Grade 2 listed buildings. Full Council has previously endorsed the design of the Civic Development Project comprising a new theatre on Great Hall Car Park, new offices on Mount Pleasant Avenue Car Park, a new underground car park under the offices and Calverley Grounds and new public realm space, through to RIBA Plan of Work Stage 3. The disposal of the Civic Complex assets will release capital to contribute towards the cost of the new development.

3 PLANNING BRIEF

- 3.1 A brief has been developed by Allies & Morrison which sets out the site's planning potential. This document provides more detailed guidance for the options to re-use the existing buildings beyond the Planning Framework Document which was adopted in September 2017. It is attached as Report 3 Appendix 1 (Tunbridge Wells Town Hall and Assembly Hall Brief September 2017).
- 3.2 The brief is intended to highlight the possibilities for future adaptations but also to identify key aspects of the buildings which should be protected within any proposals in order to preserve the value and character of the buildings and their contribution to the wider townscape. Potential uses such as innovative workspace, business, academic use, hotel or residential use could all be considered as potentially suitable uses for the building (or a mix of any of the above), subject to demand from the market.
- 3.3 The site is currently operating as offices and a theatre. Alternative uses will require planning permission. This could be achieved through a change of use application (where the building itself is not altered) or via a detailed planning application (where the building will be altered). As listed buildings, the properties are not capable of achieving outline consent.
- 3.4 The Council is partly driven by a desire to generate a maximum capital receipt. Reports that have been submitted and considered by Full Council for the earlier RIBA stages have included feasibility studies exploring the options for a potential sale of the Civic Complex.
- 3.5 Previous advice provided by GVA has stated that a disposal on the basis of a predominantly residential led redevelopment would generate the highest value. This was reaffirmed through a soft market testing exercise undertaken in Q1 2017. However, it is acknowledged that reuse of the property for certain commercial uses could satisfy place making objectives / benefit the wider community and deliver returns to the Council through retained business rate growth.
- 3.6 The potential for alternative uses of the Town Hall and Assembly Hall Theatre other than residential use has been investigated by GVA on behalf of the Council. Their report is attached as Report 1 Appendix 2 (GVA Civic Site Alternative Uses Report September 2017)
- 3.7 The report suggests that there is demand for the following uses to occupy a large quantum of the site or to become the predominant use.
 - Office (conventional letting or serviced office)
 - Mixed use developers confirmed their interest in providing offices over part of the site as part of a mix with residential space. Both have cautioned that their interest would depend on the viability and state of the market at the time, but have highlighted that strong residential values over part of the site may help subsidise some of the less valuable office accommodation.

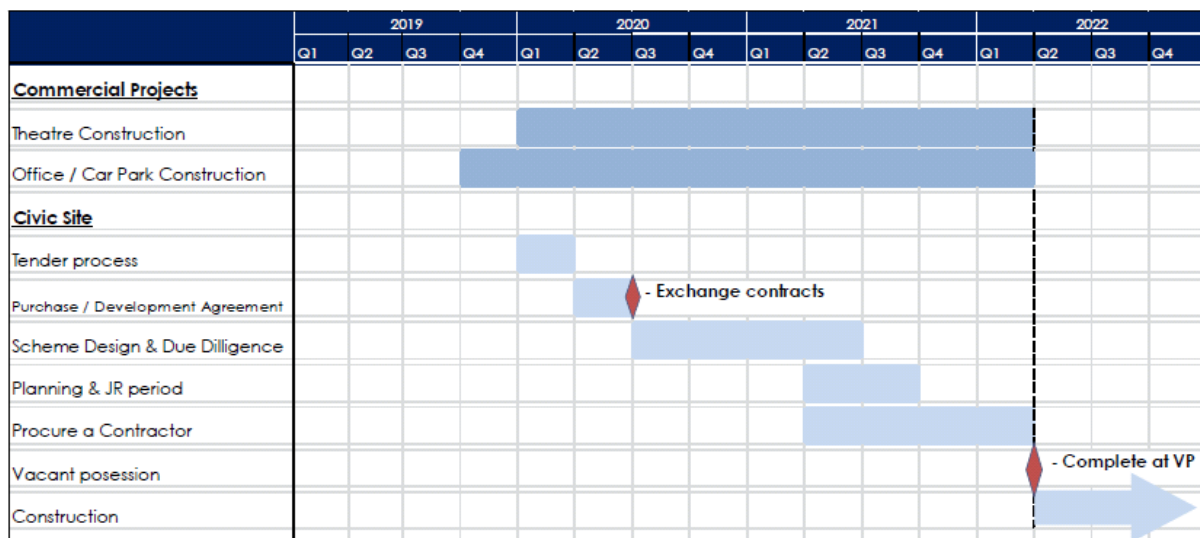
- Discussions with specialist office developers, and operators of serviced offices have confirmed interest in undertaking office development citing the popularity of the town and the future lack of supply as a key driver and the emerging trend of modern-day office tenants who desire more flexible terms. Crucially, the serviced office business model seeks to achieve rental premiums beyond usual market rent by offering tenants greater flexibility.
 - Hotel
 - The Town Hall could accommodate 70-90 bedrooms. This is a relatively popular space requirement amongst operators. The Town Hall's existing configuration of cellular offices and a central corridor also lends itself well to a conversion to hotel use. The Assembly Hall's configuration as a theatre would require a comprehensive redevelopment to accommodate hotel bedrooms. GVA highlighted that 3 of the UK's five key operators have confirmed a requirement to locate within Tunbridge Wells.
- 3.8 The report further suggests that there is demand for the following uses to occupy a sizeable albeit lesser quantum of the site, perhaps subservient to a more predominant use.
- Restaurant
 - Mixed use developers confirmed that the reuse of the Assembly Hall lobby area should work well for a restaurant (A3) considering its interesting design and optimal size. The size is larger than typically demanded by café operators.
 - Leisure (Has potential, albeit medium - low strength)
 - More specific uses such as healthcare, and educational purposes have been deemed by agents as plausible, but dependent on specific demand closer to the time of marketing. The configuration and location of the site lends itself well to these uses, but demand is less frequent and forecasts for such a use are less reliable.
- 3.9 The potential uses stated above are deemed possible, subject to viability. The buildings will require refurbishment or redevelopment to accommodate the majority of uses. Developers / occupiers seeking to reuse the site will need to factor this cost into their business plan. The market for both construction costs and sales values (for all use types) will undoubtedly change over the next five years (when vacant possession is anticipated) and the report therefore suggests viability of the options will need to be further appraised by a valuer/ active agent at a closer point to disposal.
- 3.10 The report states that overall the Town Hall and Assembly Hall site is expected to be desirable amongst developers and occupiers alike and has a low risk of sitting vacant for an extended period of time.
- 3.11 It is envisaged that 9-10 Calverley Terrace is brought forward with the main Civic Complex buildings. There is also a potential for the Police Station (which is in separate ownership) to be considered as part of any integrated scheme.
-

4 TIMING FOR DISPOSAL

- 4.1 The timing for the disposal of the Civic Complex assets impacts on the open market value of the assets. The intention is to dispose to achieve best consideration in accordance with S123 of the Local Government Act having regard to the significance of the Town Hall and Assembly Hall Theatre as part of a group of listed buildings and as important assets to the town. The potential future uses for these assets have been identified above but, as stated, the date for vacant possession is too far into the future to confirm the exact future use or the open market value of these assets. Both the 30-36 Crescent Road asset and 9-10 Calverley Terrace are not part of the suite of Civic Complex buildings and therefore can be disposed of independently and earlier than the Town Hall and Assembly Hall Theatre if this would assist in achieving best consideration.
 - 4.2 There is however an opportunity to bring 9/10 Calverley Terrace forward with the main Civic Complex buildings if a deal to include the Police Station would assist in achieving best consideration.
 - 4.3 The Planning Framework document contains supporting policy principles to ensure that the historic integrity of the Town Hall and the Assembly Hall theatre are maintained with the Museum, Library and Police Station and to indicate acceptable repurposing of the buildings to ensure that they do not sit vacant but can be converted for alternative use.
 - 4.4 The viability analysis undertaken to date indicates that conversion to residential is the most financially viable option for these buildings, but it is accepted that there are alternative uses to which the buildings may be repurposed.
 - 4.5 The opportunities presented by the potential for 9/10 Calverley Terrace to form part of a wider site, either with the Police Station or with the Police Station and the Town Hall and Assembly Hall theatre should be explored with a view to acquiring the Police Station if this presents the opportunity to dispose for an improved consideration. It should be noted that the Police station is not necessary to enable the disposal or redevelopment of the other assets and therefore would not form a ransom situation, but a complete site may be of interest to potential developers and may yield a higher capital receipt overall. The possibility for acquisition should therefore be explored with the timing for disposal influenced by those explorations.
 - 4.6 There is an opportunity to explore the delivery of a development and see a financial return on 30-36 Crescent Road in advance of the other sites being brought to market. This could be either directly by the Council or through disposal on the open market after a planning application has been secured. The asset sits independently from the other Civic Complex assets and is currently 50% vacant, placing pressure on the Council to either investigate further temporary lettings or to bring the disposal forward.
-

5 MARKET DISPOSAL AND PROCUREMENT

5.1 Soft market testing has been undertaken. And is summarised in Exempt Report 3 Appendix 1: GVA Civic Site Alternative Uses Report September 2017. Feedback suggests that developers could seek to acquire the Civic Complex site as a standalone project as far back as 24-18 months prior to the earliest starting point for construction (in this case vacant possession). On the basis of the Council vacating the Civic Complex during the first quarter of 2022 would mean disposal in 2020. This will allow time to undertake sufficient due diligence, including consideration of any existing licences and leaseholds, optimise a scheme for planning, undertake the planning process and procure a contractor. Addressing this time frame well in advance will be key to mitigating the risk of the site sitting vacant. The table below gives an approximate timetable to progress the disposal of the site.



5.2 To achieve best value on the Civic Complex, the opportunity should be de-risked for a developer in planning terms. Efforts should be made to support the principle of the future use, and the ‘enabling development’ argument of subsidising the wider Civic Development cost.

5.3 In terms of pre-marketing information, respondents requested that the Council provide accurate, measured floor plans, an asbestos register and a recent structural survey to allow bidders to accurately price their future bids.

Civic Complex procurement/disposal options

5.4 Assuming the Civic Complex is decoupled from the other developments and is undertaken by a developer as a standalone project the Council should consider the following options. Given the limited size of the opportunity there is likely to be very little interest if this is procured through an OJEU procurement process.

- **Informal tender (land sale)** – A relatively quick and effective way of generating best value from the disposal of the site. It will be popular amongst bidders and will generate plenty of interest. The risk is a lack of control over the speed, quality and ultimate direction of the sites future development. Although its end use can be restricted to a degree by the

confines of planning policy and listed building status. The Council could also adopt the use of restrictive covenants or overages to impose more control on the purchasers.

- **Development Agreement** – This route is likely to be preferable because it provides a greater degree of control. A building lease could be granted for the development period once planning and other conditions have been met, with the freehold/long leasehold interest being transferred to the developer at practical completion. Under this route, it is important that the terms of a development agreement are not too controlling (i.e obligating the developer to be explicit with the build and time frames) so as to avoid triggering an OJEU compliant procurement process (i.e obligating the developer to be explicit with the build and time frames) which would limit interest from the market due to the relatively small lot size.

6 KEY RISKS

6.1 The key risks are summarised as:

1. the buildings do not achieve the capital receipt anticipated;
2. the buildings are sold and then not developed out;
3. their historic integrity is compromised;
4. their repurposed use does not contribute to the place-shaping of the Town;
5. the timing for disposal does not ensure best consideration;
6. The full option cost of remaining in the Town Hall and Assembly Hall Theatre either as the status quo or with refurbishment is more cost effective to the Council than vacating, disposing and developing the Civic development Project.

7. CIVIC COMPLEX VALUE

7.1 An exempt report titled Indication of Value: Existing Civic Site is included in the redacted Stage 3 documents and attached is attached Exempt Report 3: Civic Complex Appendix 2: Exempt Civic Site Report indication of Value. The report provides an indication of the value for the Civic Complex assets reflecting the fact that they will come to the market in the future.

REPORT APPENDICES

The following documents are to be published with and form part of the report:

- Report 3 Appendix 1: Tunbridge Wells Town Hall and Assembly Hall Brief September 2017.
- Report 3 Appendix 2: GVA Civic Site Alternative Uses Report September 2017

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TUNBRIDGE WELLS

TOWN HALL AND
ASSEMBLY HALL BRIEF

SEPTEMBER 2017





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Access

TOWN HALL

CONTENTS

1 INTRODUCTION

Introduction
Planning Policy Context
Neighbouring projects

2 EXISTING BUILDINGS

Introduction
Key considerations
Street frontage

3 OPPORTUNITIES

Council chamber and courtyard
Roof-top development
Basement
Parking
Adapting the structure
Working with the scale of the spaces
Relationship to the Police Station site
Assembly Hall lobby

APPENDIX 1

Planning policy

APPENDIX 2

Extract from Civic Development planning framework 2017

APPENDIX 3

Listing descriptions

APPENDIX 4

Existing Town Hall plans

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1 INTRODUCTION

Introduction

This brief provides guidance for the future of the existing Town Hall and Assembly Hall building in Tunbridge Wells. It has been prepared in the context of the plans to develop a new office building and civic suite and a new theatre on sites overlooking Calverley Grounds.

This new development will render the existing buildings surplus to requirements. However, given their important heritage value and their contribution to the wider townscape of the Tunbridge Wells Town Centre Conservation Area it is important that they are given a viable and sustainable new life once they are vacated. This point has been clearly stated by the Council Members and amplified through public consultation and through engagement with key stakeholders including Historic England.

The context for the new development is framed in planning policy, including a specific Planning Framework document adopted in July 2017 which defines the broad parameters for both the new buildings and the re-use of the existing listed buildings.

This document provides further, more detailed, guidance for the options to re-use the existing buildings. This is intended to highlight the possibilities for future adaptations but also to identify key aspects of the buildings which should be protected within any proposals in order to preserve the value and character of the buildings and their contribution to the wider townscape.

Potential uses such as innovative workspace, business, academic use, hotel or residential use could all be considered as potentially suitable for the building, subject to commercial viability.

Planning policy context

The following elements of policy and existing research and guidance are relevant to the development of future options for the buildings:

The Town Hall site falls within the Crescent Road/Church Road Area of Change. The relevant policy extract (AL/RTW 2A) is included as appendix one to this document.

Appendix two provides the relevant extract from the Tunbridge Wells Civic Development Planning Framework July 2017 and sets out the basic parameters for future remodelling.

The listing descriptions for both buildings are provided in appendix three.

Details of the Tunbridge Wells Town Centre Conservation Area appraisal can be accessed online via the Council's webpage using this link <https://goo.gl/fhaoWp>

A detailed Conservation Statement for the wider group of buildings was prepared in 2013 by the Architectural History Practice for TWBC and Historic England and provides more detailed research and analysis of the buildings. This can be provided by TWBC on request.

Neighbouring projects

Any proposals for the re-use of the Town Hall and Assembly Hall building should be considered in the context of other adjoining projects. These include the redevelopment of the former cinema site on the opposite corner of the main junction, the cultural and learning hub project in the existing library and the potential adaptation and re-use of the police and magistrates building in due course.

The scheme known as the Belvedere on the former cinema site has recently been submitted for planning consent by developers Altitude Real Estate and proposes a substantial mixed use scheme including restaurants and shops, a boutique cinema, office space and over 100 apartments.

The Cultural and Learning Hub project involves substantial remodelling of the existing library, museum and adult education building to create a new community facility for education and culture which will also incorporate visitor information and council service gateway.



Images from Altitude's website showing the scheme which has been submitted for planning approval on the former Cinema site



2 EXISTING BUILDINGS

Introduction

The existing Town Hall is the centrepiece of the civic cluster, occupying the dominant corner site at the junction of Mount Pleasant Road and Crescent Road. It is currently the main site for the council offices, council chamber and members robing rooms. The building has two generous storeys, along with a basement level and a limited element of rooftop development, with a courtyard in the centre.

The Assembly Hall forms the eastern section of the block. Its current use as a theatre is limited by poor back-of-house facilities and its lack of space, which, together with the capacity and layout of seating, makes it less attractive to touring shows. The building is comprised of an elegant art-deco style lobby with stairs leading to the main theatre space; a simple rectangular box with single large rake of seating above a flat floor.

The 1930s neo-Georgian style buildings are Grade II Listed, thus requiring the preservation and enhancement of the buildings. It is also located with the town centre conservation area. There are significant opportunities to improve the setting of the buildings through public realm enhancements.

Key considerations

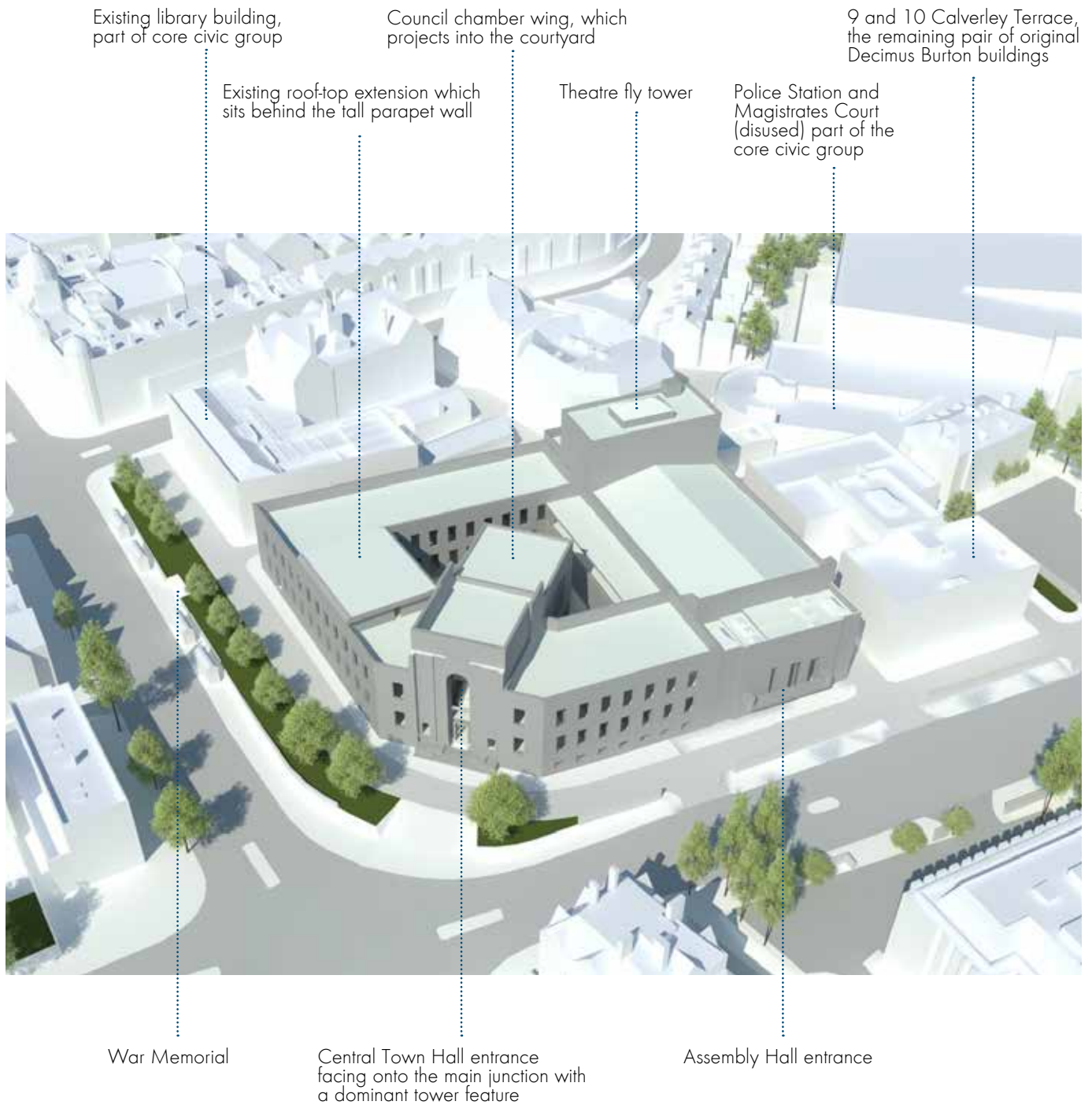
The existing Town Hall building is characterised by a strong corner tower presence and side wings which are superficially symmetrical. This tower and the rest of the outer range of buildings form an important part of the historic townscape and are important features to retain and enhance.

To the rear of the site, the large box of the Assembly Hall theatre has less of an impact on the townscape as despite its bulk as it is screened on all sides by other buildings. Similarly, the fly tower is relatively obscured from view.

The Council Chamber is located in a projecting element in the centre of the courtyard, on the same orientation as the corner tower. It has no visible impact on the street, but it does significantly constrain the potential for successful re-use of the rest of the building around the courtyard.

There is a significant level change between the floor level in the building and the external ground level which varies substantially around the edge of the building. Coupled with the existing listed status of the buildings this limits the opportunities to create new entrances into the building. Similarly the listed nature of the existing building may also limit scope for new window openings to be created.

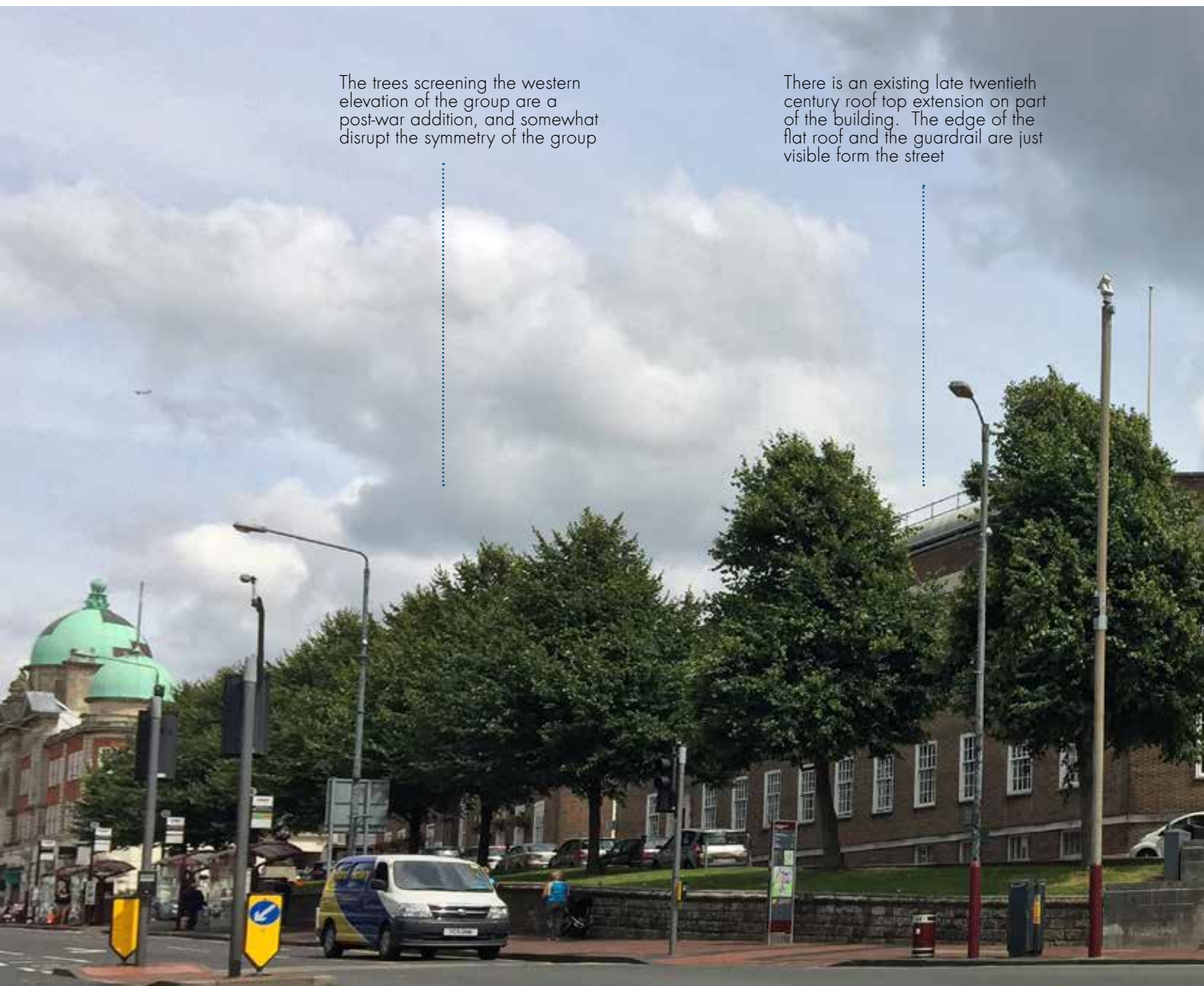
It is important for the long term future of the listed buildings that a viable and sustainable future use is established. This should balance the desire to retain and protect the character of the existing buildings with the need to adapt them to ensure their ongoing usability.



Street frontage

The trees screening the western elevation of the group are a post-war addition, and somewhat disrupt the symmetry of the group

There is an existing late twentieth century roof top extension on part of the building. The edge of the flat roof and the guardrail are just visible from the street



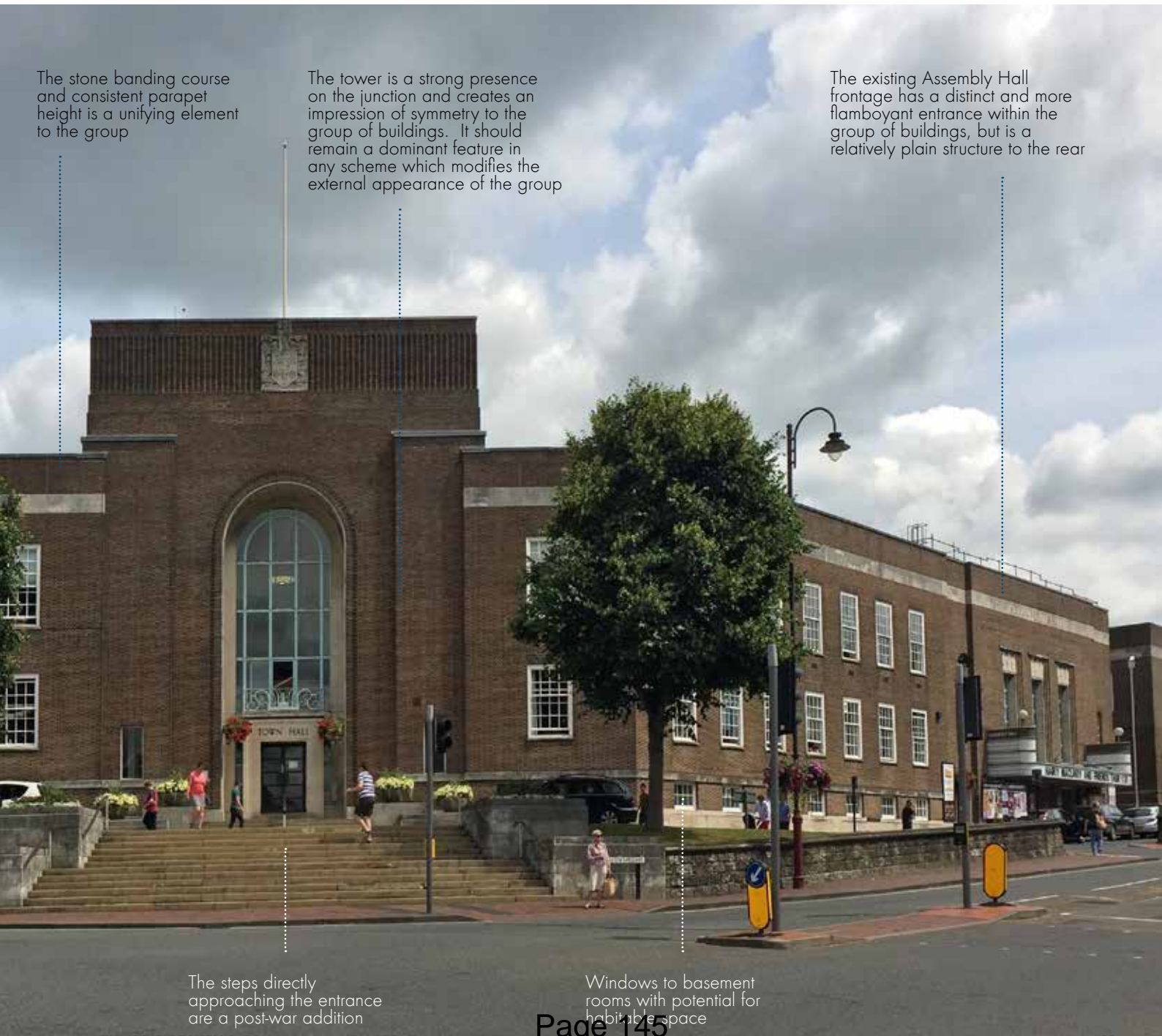


A photograph of the buildings from around 1950, showing the original form of the public realm and the almost complete absence of trees

The stone banding course and consistent parapet height is a unifying element to the group

The tower is a strong presence on the junction and creates an impression of symmetry to the group of buildings. It should remain a dominant feature in any scheme which modifies the external appearance of the group

The existing Assembly Hall frontage has a distinct and more flamboyant entrance within the group of buildings, but is a relatively plain structure to the rear



The steps directly approaching the entrance are a post-war addition

Windows to basement rooms with potential for habitable space

3 OPPORTUNITIES

Introduction

The following sequence of images demonstrates a conceptual approach to the remodelling of the buildings in order to bring them into a sustainable long-term use.

The main body of the Assembly Hall auditorium is considered unlikely to find a new use owing to its particularly large scale. The council chamber has a significant impact on the environment within the courtyard, but is not visible from the public realm. Both of these elements may therefore be considered for removal in order to open up the possibilities of the site for new uses.

It has been identified that there is potential to add space at roof level. Given the tall parapet wall this could be up to two floors of additional space without challenging the scale and significance of the existing central tower.

There is scope for significant development on the site of the Assembly Hall within the scale and massing defined by the existing volume, and notably the height of the theatre fly tower. Keeping this development separate from the existing building in terms of floor plates would allow for more standard floor-to-floor heights to be used. This could increase the number of floors of habitable space compared to the existing building.

These opportunities have been previously tested with Council Members, with the general public and with key stakeholders including Historic England. However, it should be noted that no formal pre-application discussion has been undertaken and that works to a listed building require an intervention of high quality. It must also be noted that no structural survey work has been undertaken to inform these initial concepts.



The existing buildings showing the council chamber within the courtyard and the volume of the Assembly Hall with its tower to the north.



Potential scope of site clearance showing a possible extent of building removal whilst protecting and retaining the key external range of buildings, with their entrances and stairs.

The following pages outline a number of concepts which have been identified through the process of studying the existing building, including ways in which some of the more challenging aspects of adapting the building might be tackled.



Potential scope for new development including further rooftop development to the rear of the site and development up to the silhouette of the existing Assembly Hall fly tower.

Planning Framework

EXISTING CIVIC BUILDINGS

The existing group of civic buildings is an important part of the character of the town centre. They are not practical in their current form for modern theatre and office requirements, but the Council recognises that it is important to plan for their long term sustainable future.

The Council has been working with Historic England to define the important aspects of the character of the buildings and establish principles which can guide their future adaptation and re-use.

The most significant characteristic is the strong range of buildings which forms the Mount Pleasant Road and Crescent Road frontage. These are unified by a common architectural character and distinguished with their own distinctive entrances. A further key characteristic is the overall symmetry of the group centred around the strong tower on the corner of the town hall.

The Council is developing guidance for the site which will identify appropriate ways to work with the historic buildings enabling them to be adapted for modern usage.

These principles leave open options for a range of uses such as college, hotel or housing, but we know that retail space is unlikely to be practical due to the constraints of the listed building.

The existing buildings showing the existing council chamber within the courtyard and the volume of the Assembly Hall with its tower to the north.



The main outer ranges of building are the most important elements in terms of the character of the conservation area. However, other parts could be removed to allow for sensitive modern development.



New development could replace the volume of the theatre. There could also be the option to add new rooftop elements provided these reflect the symmetry of the building and maintain the importance of the central tower.





Public consultation panel, spring 2017

Council chamber and courtyard

The existing council chamber is located within a limb of building which projects into the courtyard. The chamber itself is not regarded as being of particular quality when compared to some examples of the same period and when compared to other parts of the building such as the stairs.

Options for the modifications to the building could explore the removal of the chamber and the rooms below to open up the courtyard and thereby improve the outlook and amenity of all the rooms facing into it.

Roof-top development

The existing parapet wall is almost a full storey-height tall. This eliminates the potential for development at that level to have any kind of external view. This could be usefully addressed by developing a two storey roof top addition, with an upper level which is set back but which then benefits from views out. In the case that this was residential development or hotel use this could be develop as upside down duplex units with the living space on the upper floor to benefit from views and bedrooms at the lower level with small courtyard areas behind the parapet wall.



Basement

There are significant areas of existing basement within the building. Some of these are completely below ground, but would be suitable locations for storage, plant, gym, etc. Some spaces facing into the courtyard open into basement areas and so could potentially be successfully used as stand-alone spaces. There are a number, including those which have windows onto the street which are useable as secondary habitable spaces and could be exploited as part of duplex units.

Parking

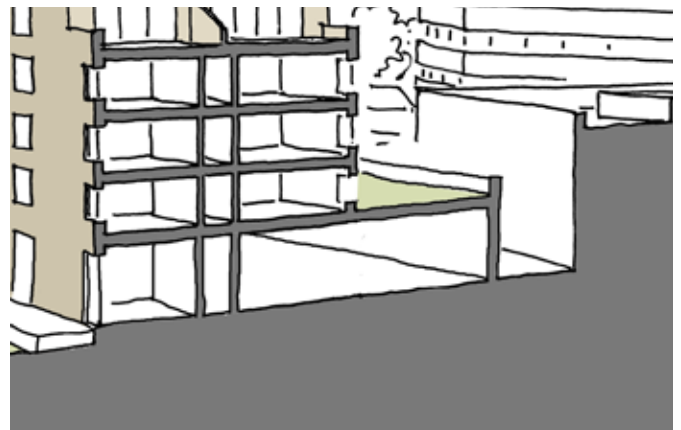
The potential development of a new element of building on the existing Assembly Hall site allows for the possibility of parking to be incorporated into the development. This could be either as enclosed under-croft parking or potentially also as basement parking subject to viability. Access to the parking would be obtained via Monson Way in the location of the existing service access to the rear of the theatre.

Some dedicated parking may also be possible in Monson Way and Civic Way.

Council chamber wing
- potential to remove to
open up the courtyard

Upper courtyard level -
approximates to natural
ground level

Lower courtyard
level - basement
areas



Adapting the structure

The structure of the existing building lends itself readily to re-use for functions such as residential, education, business or hotel use. The spaces facing onto the streets are generous, and flats or suites may be formed by amalgamating existing rooms and leaving much of the core fabric in place. The same can also apply to the spaces facing into the courtyard, although these rooms are not as deep. Options could be explored to build into the courtyard to increase the depth of the rooms, creating better proportioned spaces and improving the net to gross ratio of the building.

Working with the scale of the spaces

The existing spaces in some parts of the building have very generous ceiling heights. Although it is not considered likely that full duplex units will be possible within these rooms, it may be possible to incorporate elements such as mezzanine platforms to increase space and to add to the characterful use of spaces.

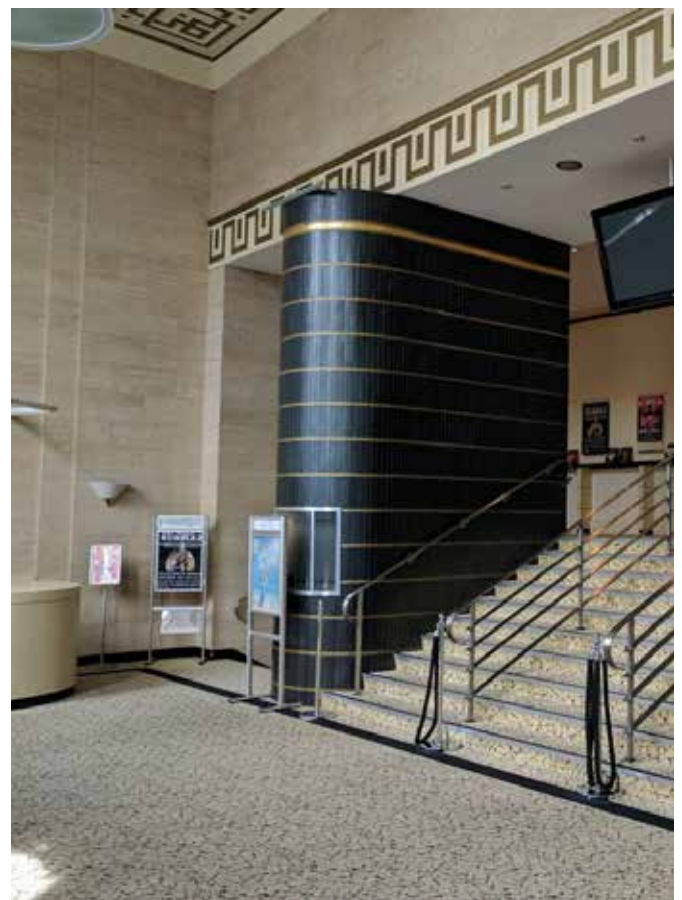


Relationship to the Police Station site

The lane which currently runs between the flank of the Assembly Hall and the neighbouring police station building is relatively narrow. Any new development on the Assembly Hall site is likely to be in a slimmer building than the bulky existing structure. This allows for a more generous environment to be created, with sufficient off-set to overcome the potential inter-visibility issues between rooms in the two buildings.

Assembly Hall lobby

The existing Assembly Hall lobby is an attractive and generously-proportioned space. It remains a notable element of the listed building, but is significantly more generous than a residential entrance would need to be. As the lobby has a good frontage directly onto the street, options to convert the space to use as a bar, restaurant or other similar use may be considered as a way of giving it a viable future use.



Cultural and Learning Hub project being developed separately on the neighbouring library site

Remodelled Civic Way to create improved public realm

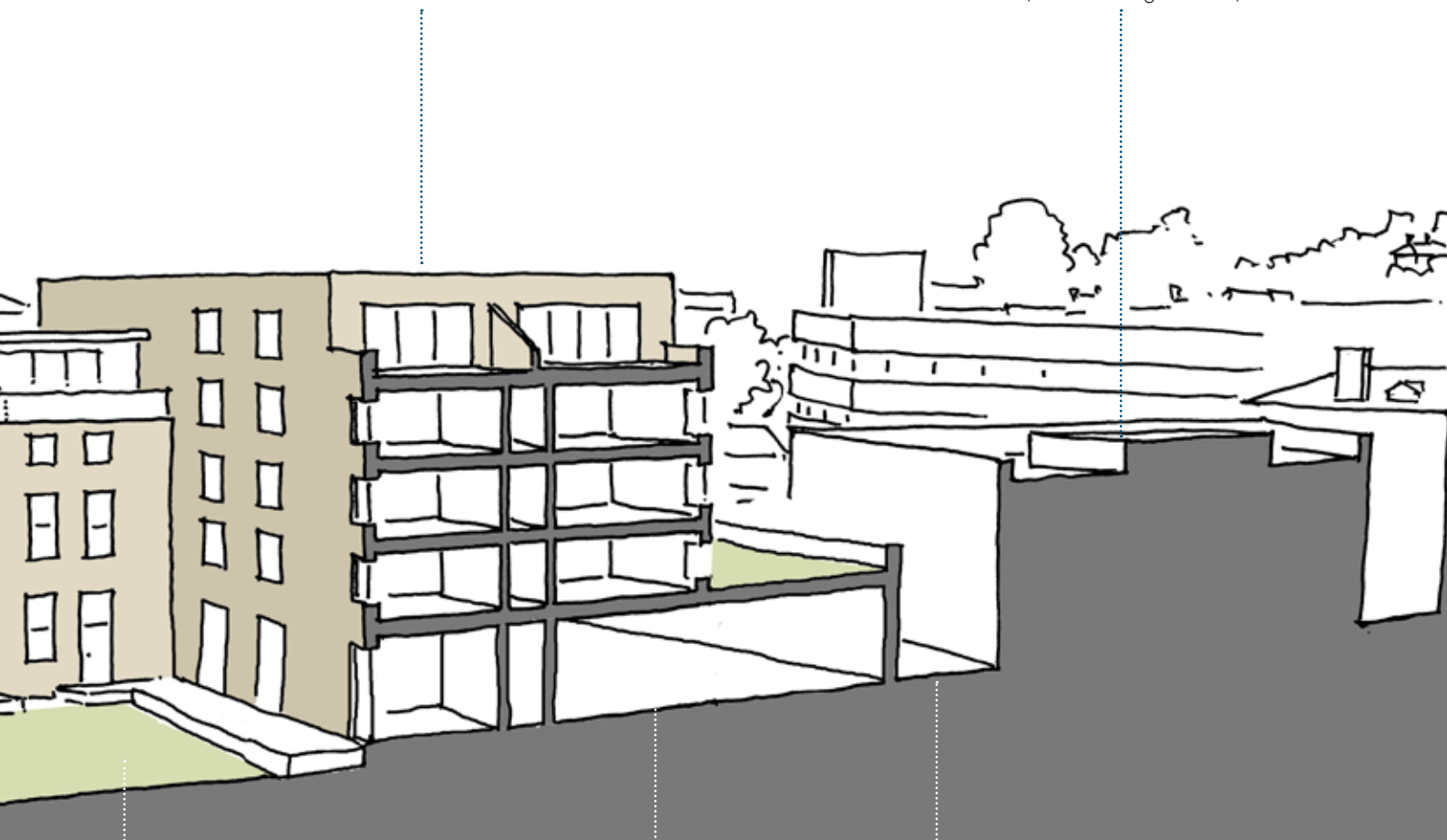
Potential for upper rooftop spaces to have excellent views out over the landscape. In the case of residential development, inverted duplex units would ensure that living spaces benefit from the view.



Some areas of the basement open into generous light wells within the courtyard. Others are partially above ground and have low level windows to the street, offering potential for habitable rooms.

Potential for a new building on the site of the existing Assembly Hall, working with the substantial scale and massing of the existing building to provide new accommodation

Existing Police and Magistrates building (court no longer in use)



Central courtyard created as a result of the removal of the Council Chamber wing.

Potential for undercroft parking to be incorporated in the elements of new development. Basement parking may also be possible below new elements of building.

Existing lane which could be opened up to more general access as part of the re-development of the adjoining Police and Magistrates building

APPENDIX 1 - PLANNING POLICY

Policy AL/RTW 2A: Crescent Road/Church Road Area of Change (extract from site allocations DPD 2016)

The area shown on the Royal Tunbridge Wells & Southborough Proposals Map is designated as an Area of Change.

A masterplan shall be prepared by the developer(s) with the involvement of the Borough Council, stakeholders and the local community. The masterplan shall indicate the distribution, scale and quantum of proposed uses together with areas of open space/public realm, vehicular access, parking provision and pedestrian routes into and within the site. Proposals will be expected to deliver:

- civic, educational, cultural and leisure uses: these shall include library, museum, adult education and theatre facilities, including the facilities to be provided by the Cultural and Learning Hub. There shall be no loss of existing educational, cultural and leisure facilities, or public or ceremonial civic functions from the Area of Change unless suitable alternative provision has been secured elsewhere in the town centre
- retail development: incorporating approximately 15,000sqm (net) additional comparison retail floorspace (A1) which may include a new department store and other units of varying sizes. Retail uses should be provided on the ground floor to ensure active retail frontages

Other uses may also be delivered as part of the redevelopment and refurbishment of sites within the area. Appropriate uses could include:

- restaurants and cafés: development could provide restaurant and café facilities
- market facilities: development could provide

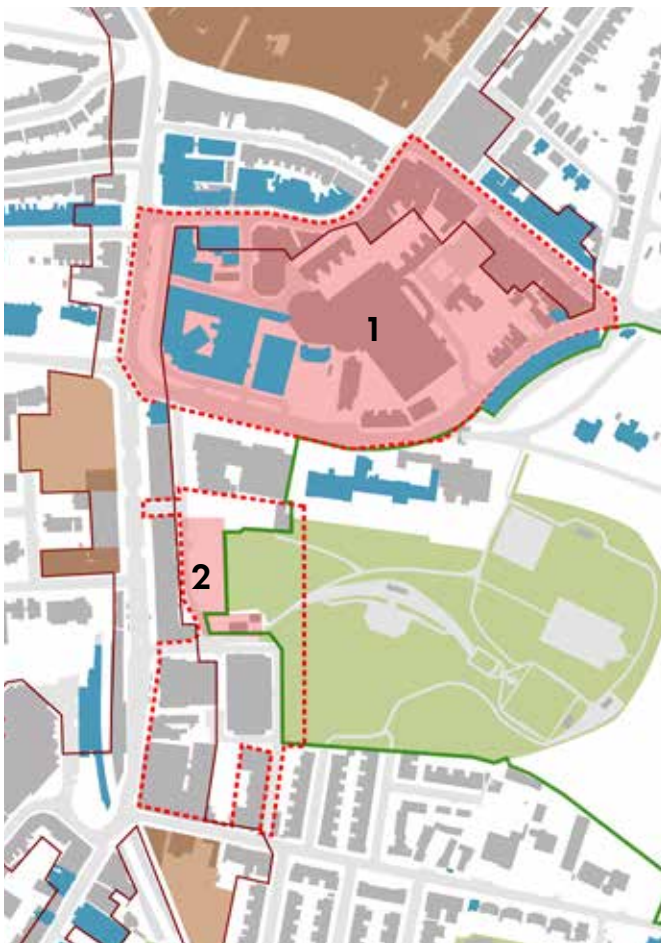
enhanced market facilities, which may include the provision of permanent facilities

- hotel and conference facilities
- office (B1): high quality (B1) office space
- residential use: supplementary to the other uses
- parking: any development should reinstate at least the same amount of public car parking spaces within the Area of Change, with the provision to include additional or fewer spaces as considered necessary, subject to the latest available evidence

Development shall contribute to transport improvements, to include the Royal Oak junction Bayhall Road, Church Road/Mount Pleasant junction, Church Road/A26 (London Road) junction and Garden Road/Victoria Road/Camden Road junction.

Proposals for redevelopment and refurbishment within the Civic Complex/Crescent Road Area of Change shall accord with the following principles:

- a Conservation Statement must be produced to inform the masterplan and guide the redevelopment and refurbishment of sites, buildings and spaces within the Area of Change. This will focus on the heritage assets within the area (including listed buildings such as the Assembly Hall Theatre, Police Station, Magistrates' Court, Town Hall, War Memorial and Nos 9-10 Calverley Crescent) and also address any potential Local Heritage Assets
- proposals must be of a high quality design and shall demonstrate how they conserve and enhance the Conservation Area
- proposals must be accompanied by an Air Quality Assessment and appropriate mitigation measures
- any proposals affecting the Town Hall will be expected to retain significant features, such



Key







-  Site boundary
-  Listed buildings
-  Primary shopping area
-  Retail/mixed use development sites allocated in the Local Plan
-  **1** AL/RTW2A: Civic complex/Crescent Road area of change
-  **2** AL/RTW2I: Mount Pleasant car park

Fig 1 Existing policy designations

as the main entrance, staircase and Council Chamber in situ and allow their continued use for civic functions and other compatible uses

- key views into, and within, the Area shall be protected. These are likely to include views of the main Town Hall entrance and views down Mount Pleasant Road
- opportunities should be explored to create a series of new public spaces and interlinking routes to promote better access for cycling and walking
- development will be expected to provide or enhance green infrastructure links within the area and to provide public art, which may include water features
- proposals shall promote the use of high quality, locally distinctive materials and features
- proposals should explore the potential to enhance the lighting of the area to promote public safety and improve the night-time setting of historic buildings and the associated public realm

Proposals for developing part of the Area of Change shall not compromise the wider aims and comprehensive redevelopment of Policy AL/RTW2A and wider Core Strategy objectives.

APPENDIX 2 - EXTRACT FROM CIVIC DEVELOPMENT PLANNING FRAMEWORK 2017

Context

The existing Town Hall is the centrepiece of the civic cluster, occupying the dominant corner site at the junction of Mount Pleasant Road and Crescent Road. It is currently the main site for the council offices, council chamber and members robing rooms. The building has two generous storeys, along with a basement level and a limited element of rooftop development, with a courtyard in the centre.

The Assembly Hall forms the eastern section of the block. Its current use as a theatre is limited by poor back-of-house facilities and its lack of space, which, together with the capacity and layout of seating, makes it less attractive to touring shows. The building is comprised of an elegant art-deco style lobby with stairs leading to the main theatre space; a simple rectangular box with single large rake of seating above a flat floor.

The 1930s neo-Georgian style buildings are Grade II Listed, thus requiring the preservation and enhancement of the buildings. It is also located with the town centre conservation area and within the Site Allocations Local Plan (Policy AL/RTW2A).

Objectives

- To protect the Grade II Listed buildings and the historic fabric of the surrounding townscape;
- To provide suitable alternative uses for the building which work well in the town centre context; and
- To improve the setting of the civic buildings by ensuring a high quality public realm.

Development parameters

The existing Town Hall building is characterised by a strong corner tower presence and side wings which are superficially

symmetrical. This tower and the rest of the outer range of buildings form an important part of the historic townscape and are important features to retain and enhance.

To the rear of the site, the large box of the Assembly Hall theatre has less of an impact on the townscape as despite its bulk it is screened on all sides by other buildings. Similarly, the fly tower is relatively obscured from view.

The Council Chamber is located in a projecting element in the centre of the courtyard, on the same orientation as the corner tower. It has no visible impact on the street, but it does significantly constrain the potential for successful re-use of the rest of the building around the courtyard.

It is important for the long term future of the listed buildings that a viable and sustainable future use is established. This should balance the desire to retain and protect the character of the existing buildings with the need to adapt them to ensure their ongoing usability.

There is a significant level change between the floor level in the building and the external ground level which varies substantially around the edge of the building. Coupled with the existing listed status of the buildings this limits the opportunities to create new entrances into the building.

Potential uses such as office space, academic use, hotel or residential use could all be considered as potentially suitable for the building, subject to commercial viability.

In order to render the structure more usable it may be possible to undertake significant modifications whilst retaining and protecting the essential character and contribution to the townscape. Any additions to the silhouette of

the Assembly Hall and new development to the roof of the existing building should respect the form and symmetry of the building and the prominence of the corner tower.

The public realm around the site should be improved. In particular, enhancements will be sought to improve the setting of the War Memorial.

Public use of the buildings would imply retained public access to the space with opportunities for revised treatment such as seating and market stalls. A more private use such as residential-led development would benefit from reduced

access to the edge of the building and private landscaped garden space replacing Civic Way.

Consideration should be given to the potential development of the Police Station and Magistrates Court to the east of the site. Flexibility should be built into the design of the redevelopment to ensure that a range of options can be explored for the adjacent site. Delivery of this development and re-use of the existing building is contingent on the completion of the proposed new theatre and office building and civic suite which will allow for the buildings to be vacated.



The Town Hall and Assembly Hall site boundary

APPENDIX 3 - LISTING DESCRIPTIONS

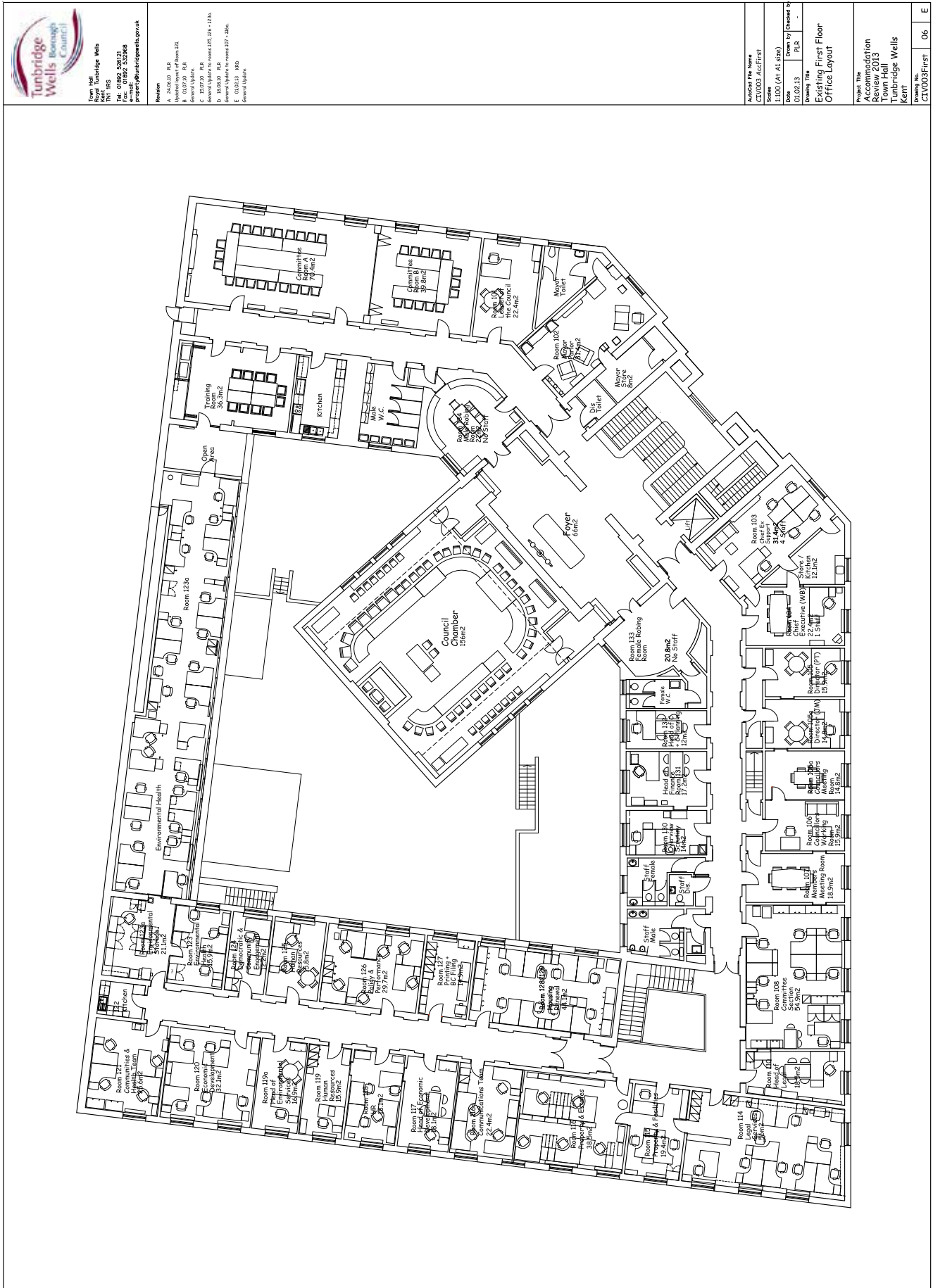
Town Hall listing description Grade II

Built in 1939, one of a series of linked municipal buildings designed by Percy Thomas and Ernest Prestwich after a competition in 1934. Neo-Georgian with "Moderne" details. Brown brick in Flemish bond with Portland stone dressings, band below cornice and band above plinth. Flat roof. Symmetrical building of 2 storeys of splayed shape. Centre has 3 bays. Centre has raised parapet with shield and the motto "Do well Doubt not", flanked by giant pilasters and giant round-headed window with balcony and stone architrave with double doors. Two flights of stone steps with circular planters by doorcase and rectangular planters by steps. One 20-pane sash on each side. Seven sashes to right side elevation and 12 to left. Interior has marble staircase of white marble with black marble plinth and coping. Giant stylised pilasters and gilded stylised Greek Key decoration to cornice. Original circular and half-cylindrical light fittings. Council Chamber has Greek Key design to ceiling and balcony. Domed vestibule.

Assembly Hall listing description Grade II

Built 1939 by Percy Thomas and Ernest Prestwich after a competition in 1934 to design a complete set of municipal buildings. Moderne" details. Brown brick with stone coping and band with "ASSEMBLY HALL". Five bays. Front 3 bays project with 3 narrow windows with 6 vertical metal panes with lotus motif. Above are sculptural stone panels of female figures in classical dress depicting Dancing, Drama and Music. End bays have smaller casements with 6 vertical panes. Ground floor has five double doors with flat canopy above ramped up at the sides with globular lamps on rounded plinths. The foyer has black full-height columns with gold mosaics and stylised Greek key design decoration. Staircases with metal handrail and marble floor. Auditorium has original proscenium with rectangular motif decorations and similar decorations to ceiling of hall. Walnut dado panelling. Balcony.





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Tunbridge Wells Civic Site Alternative Uses

September 2017



Contents

| | | |
|----|--|---|
| 1. | Brief | 1 |
| 2. | Executive summary | 2 |
| 3. | Previous investigations | 3 |
| 4. | Potential use: Office | 4 |
| 5. | Potential use: Hotel..... | 5 |
| 6. | Potential use: Retail/ Restaurant..... | 6 |
| 7. | Potential use: Leisure | 6 |
| 8. | Potential use: D1 uses..... | 7 |
| 9. | Feedback List..... | 8 |

Prepared By: AW, SH

Status: Final

Draft Date: September 2017

For and on behalf of GVA Grimley Limited

1. Brief

- 1.1 We have been instructed by Tunbridge Wells Borough Council to provide advice regarding the potential for uses for the Town Hall & Assembly Hall.
- 1.2 It has been prepared in the context of the plans to develop a new office building, civic suite, and a new theatre on sites overlooking Calverley Grounds.
- 1.3 This new development will render the existing buildings surplus to requirements. However, given their important heritage value and their contribution to the wider townscape of the Tunbridge Wells Town Centre Conservation Area it is important that they are given a viable and sustainable new life once they are vacated.
- 1.4 It is the hope of the Council that the sale of the Town Hall and Assembly Hall site, should release capital to contribute towards the cost of developing the new theatre and offices.
- 1.5 The Council is partly driven by a desire to generate a maximum capital receipt. Previous advice provided by GVA has stated that a disposal on the basis of a predominantly residential led redevelopment would generate the highest value. This was reaffirmed through a soft market testing exercise undertaken in Q1 2017.
- 1.6 However, it is acknowledged that reuse of the property for certain commercial uses could satisfy place making objectives / benefit the wider community. This report therefore seeks to investigate the potential for alternative uses on this site other than residential use.

2. Executive summary

- 2.1 Our investigations suggest that there is demand for the following uses to occupy a large quantum of the site / to become the predominant use.
- **Office** (conventional letting or serviced office)
 - **Hotel**
- 2.2 Our investigations suggest that there is demand for the following uses to occupy a sizeable albeit lesser quantum of the site, perhaps subservient to a more predominant use.
- **Restaurant**
 - **Leisure** (Has potential, albeit medium - low strength)
- 2.3 More specific uses such as healthcare, and educational purposes have been deemed by agents as plausible, but dependent on specific demand closer to the time of marketing. We comment that the configuration and location of the site lends itself well to these uses, but that the demand is less frequent and forecasts for such a use are less reliable.
- 2.4 The potential uses stated above are deemed possible, but are subject to viability. The buildings will require refurbishment or redevelopment to accommodate the majority of uses. Developers / occupiers seeking to reuse the site will need to factor this cost into their business plan. The market for both construction costs and sales values (for all use types) will undoubtedly change over the next 5 years (when vacant possession is anticipated) and we therefore suggest that the viability of these uses is appraised by a valuer/ active agent at a later point in time.
- 2.5 Our investigations have determined that residential use will command the most value and interest from bidders. It is likely that increasing the quantum of commercial space will amount to a lesser sales price.
- 2.6 Overall the Town Hall and Assembly Hall site is expected to be desirable amongst developers and occupiers alike and has a low risk of sitting vacant for an extended period of time.

3. Previous investigations

Soft Market Testing Q1 2017

- 3.1 GVA previously ran a soft market testing exercise of the Civic Site and reported our results in March 2017. The respondents were asked for their view on the sites optimal use, and feedback from all parties emphasised that the largest capital receipt would come from a residential led development. This use would also have a low risk of sitting vacant due to the known residential demand in Tunbridge wells.
- 3.2 The respondents were also asked for their view on incorporating alternative uses within the scheme. Whilst most respondents reported that the capital receipt would almost certainly be reduced, the possibility of a commercial led redevelopment was not discounted so long as the alternative scheme was viable.
- 3.3 The respondents raised the following general constraints/concerns about alternative uses:
- Limited on site car parking for certain uses.
 - Listed Façade / Features make certain uses less applicable.
 - Historic and prominent building could make for a challenging planning permission.
 - Cellular layout, as opposed to open plan space will suit specific uses more than others.
 - Unknown demand for certain uses in the future.
 - Limited conversion cost information which can impact viability.

Planning potential

- 3.4 A Planning brief has been developed by Allies & Morrison which sets out the site's planning potential. This document provides more detailed, guidance for the options to re-use the existing buildings beyond the Planning Framework Document which was adopted in July 2017.
- 3.5 The planning brief is intended to highlight the possibilities for future adaptations but also to identify key aspects of the buildings which should be protected within any proposals in order to preserve the value and character of the buildings and their contribution to the wider townscape. Potential uses such as innovative workspace, business, academic use, hotel or residential use could all be considered as potentially suitable uses for the building, subject to demand from the market.
- 3.6 We assume the site currently is operated under its lawful use as B1 offices and D2 for the theatre. Alternative uses will require planning permission. This could be achieved through a change of use application (where the building itself is not altered) or via a detailed planning application (where the building will be altered). As listed buildings, the properties are not capable of achieving outline consent.

4. Potential use: Office

- 4.1 GVA's agency team is actively marketing space in Tunbridge wells, and are in constant dialogue with occupiers in the market. Strong demand is reported with a particular emphasis on smaller size requirements in the region of 3,000 sq ft. It is therefore anticipated that a predominantly office led reuse of the site would be on a multi let basis, or as serviced offices. Whilst there are some active requirements for larger amounts of space in Tunbridge Wells, these are less common.
- 4.2 The configuration of the existing Town Hall is clearly more suitable for reuse as offices than the Assembly Hall, which would require a comprehensive redevelopment as opposed to a refurbishment. Whilst the cellular layout of the Town Hall is less popular than modern open-plan accommodation, demand from office occupiers is still expected to be high due to the lack of supply. In any case, we anticipate that a developer would seek to modernise / refurbish the interior before occupation; the cost of this would be factored into any bids to purchase the site on this basis.
- 4.3 The office market in Tunbridge Wells has been greatly impacted by a loss of office supply by way of conversion to residential under Permitted Development legislation. There is over 160,000 sq ft of office space which is likely to be lost to residential or alternative use over the next 2/3 years. As a result, letting prospects are very strong for what office stock does remain.
- 4.4 With the majority of development being focused around residential uses, we do not expect there to be much complete office space come vacant possession in Q2 2022. Whilst the strength of the future office market can't be guaranteed, the sentiment for occupier demand and rental values looks positive.
- 4.5 2 reputable mixed use developers have confirmed interest in providing offices over part of the site. Whilst residential is their core area of expertise, both would still be interested in the opportunity if it were to include a mix of commercial and residential space. They cautioned that their interest would depend on the viability and state of the market at the time, but have highlighted that strong residential values over part of the site may help subsidise some of the less valuable office accommodation if it was a key objective for the Council.
- 4.6 We have been in discussions specialist office developers, and operators of serviced offices. They have confirmed interest in undertaking office development citing the popularity of the town and the future lack of supply as a key driver. One respondent's business model has a particular emphasis on operating serviced offices, citing the emerging trend of modern-day office tenants who desire more flexible terms. Crucially, the serviced

Office business model seeks to achieve rental premiums beyond usual market rent by offering tenants greater flexibility. This is a growing market as the popularity of long term leases amongst office occupiers declines.

- 4.7 All developers raised concerns about the level of on-site car parking that would be needed to accommodate office use. On-going office use of a significant quantum would undoubtedly require staff to obtain car parking permits from nearby car parks such as the Crescent Road Car Park.

5. Potential use: Hotel

- 5.1 The current Town Hall offices have an NIA of circa 28,000 sq ft but the GIA is estimated to be in the region of 42,000 sq ft. The Gross area over the ground and first floors (which would be suitable for hotel accommodation) is approximately 30,000 sqft and should be able to accommodate 70-90 bedrooms. This is a relatively popular space requirement amongst operators.
- 5.2 The Town Hall's existing configuration of cellular offices and a central corridor also lends itself well to a conversion to hotel use. The Assembly Hall's configuration as a theatre would require a comprehensive redevelopment to accommodate hotel bedrooms, but may be suitable for conversion to a hotel conference centre.
- 5.3 We have sought demand from the UK's key operators, of which some have confirmed a requirement to locate within Tunbridge wells.
- 5.4 As vacant possession is circa 5 years away, an analysis of the market and the competition will be required at a later point in time. Should a new hotel development emerge before vacant possession, the interest for hotel use at the Civic Site is likely to be reduced.
- 5.5 The key occupiers provide hotels under a variety of different brands depending on the characteristics of the local market. Hotel operators may need to differentiate the quality of offering to avoid being in competition with Hotel Du Vin which is circa 100m east of the site.

6. Potential use: Retail/ Restaurant

- 6.1 The property's listed façade makes reconfiguration challenging. The majority of conventional retail (A1 / A2) uses require glass fronted units, and as such opportunities on the site are low.
- 6.2 Mixed use developers confirmed that the reuse of the Assembly Hall lobby area should work well for a restaurant (A3) considering its interesting design and optimal size. The size is larger than typically demanded by café operators.
- 6.3 The Assembly Hall lobby area fronts Crescent Road, which is off the prime pitch. This will impact demand for the space and possibly suppress the rent achievable. However restaurant uses are less pitch sensitive. Café occupiers would prefer to locate along Mount Pleasant Road which has higher footfall.
- 6.4 Other retail uses such as pubs/ drinking establishments (A4) and hot food takeaways (A5) have not been explored. These uses are more contentious and can negatively impact the appeal of the wider site.

7. Potential use: Leisure

- 7.1 Due to the site's town centre location and close proximity to the train station & public car parks, it is well placed to attract interest from Health and fitness operators. Commitment to an area is driven by the catchment area population and competition from other gyms.
- 7.2 Both the Town Hall and the Assembly hall could accommodate Gym use subject to an internal redevelopment / reconfiguration. The cellular configuration of the Town Hall is not optimal for Gym operators, who require open plan space. The size of the site is larger than is typically required for health and fitness operators, so incorporation of such a facility would be subservient to a more predominant use. Budget gyms typically require space in the region of 6,000 – 20,000 sq ft, which could be suitably accommodated. 'High end' Gyms have larger requirements usually in excess of 20,000 sq ft and require strong on-site car parking provision.
- 7.3 Agents have reported the following constraints to health and fitness use:
- Tunbridge Wells already has a PureGym located in the nearby Royal Victoria Place Shopping Centre which could limit demand.
 - A lack of free customer parking will be a key challenge, particularly for high end operators.

Other leisure uses

- 7.4 Agents comment that the Assembly Hall may have prospects for conversion to a Cinema. However, this should only be explored if the cinema interest at the adjacent Belvedere development site falls away.
- 7.5 The high ceilings within in the Assembly Hall could allow for reuse from 'trampoline park' leisure operators. Leisure agents have reported high demand for this operation. These operators are typically forced to locate to out of town location as most central properties tend to be converted to more valuable uses, such as office or residential.

8. Potential use: D1 uses

- 8.1 Medical uses such as clinics and dentists fall within the D1 category of the use classes order. Requirements amongst these occupiers are less frequent and there is generally lower supply of space. Occupiers of this nature tend to compete for office and retail type space with the intention of obtaining a change of use.
- 8.2 Religious facilities also fall under the D1 use class. The current configuration of the Assembly Hall should attract interest from Religious Groups. The Vale Royal Methodist church on London Road is of a similar size to the Assembly Hall. This property sold in June 2016 for £900,000 reflecting as capital value per sq ft of £81 per sq ft.
- 8.3 We are unaware of any education requirements in Tunbridge Wells. Both the Town hall and Assembly Hall's configuration is well suited for reuse from schools/colleges. We also expect that day nursery operators would take a keen interest in converting space in either building. Most nurseries have space requirements below 5,000 sq ft so this use would be subservient to a more predominant use.
- 8.4 The site has potential to accommodate all of these uses, but it will ultimately depend on the specific occupier demand closer to the time of marketing.

9. Feedback List

9.1 The following table is a list of all developers / operators / occupiers / agents who have supplied information to support this document.

| Organisation | Specialist Area | Response |
|--------------|---|---|
| Company A | Offices / serviced offices | Interested – awaiting feedback from Council Meeting. |
| Company B | Offices | Reported strong potential for Office use across the site subject to viability. The office market enquiries schedule contains 21 Active requirements from occupiers. |
| Company C | Mixed use developer (residential focus, but are the most recent office developer in the Town) | Interested, for commercial space as part of a mixed use scheme that incorporates residential. |
| Company D | Mixed use developer | Interested, for commercial space as part of a mixed use scheme that incorporates residential. |
| Company E | Offices / serviced offices | May be interested at a closer point in time. Optimistic about the future potential of office market generally. |
| Company F | Hotel Operator | Interested. Have an 80 bed requirement. |
| Company G | Hotel Operator | Very interested. |
| Company H | Hotel Operator | Interested. Have a requirement under their Holiday Inn Brand. |
| Company I | Hotel Operator | Not interested, already have a Mercure branded hotel in Tunbridge wells. |
| Company J | Hotel Operator | Not interested, already have a hotel in Tunbridge wells. |
| Company K | Leisure / health and fitness operator | Central location is appealing, would like to be updated, May be interested at a closer point in time. |
| Company L | Leisure / health and fitness operator | Wish to be informed about the opportunity going forward, but are already within the town. |
| Company M | Contractor with development arm | Only interested in a predominantly residential led development. |
| Company N | Contractor with development arm | Only interested in a predominantly residential led development. |
| Company O | Leisure. | Reported potential, albeit low due to competition. |
| Company P | Retail / Restaurant | Reported strong potential for A3 use in the Assembly Hall lobby. |
| Company Q | Hotels | Reported medium - strong demand for C1 use on the site subject to viability. |

| | |
|---|-------------------------|
| Planning & Transportation Cabinet Advisory Board | 13 November 2017 |
| Finance & Governance Cabinet Advisory Board | 14 November 2017 |
| Communities Cabinet Advisory Board | 15 November 2017 |
| Is the final decision on the recommendations in this report to be made at this meeting? | No |

4 - Project Financials

1 EXECUTIVE SUMMARY

- 1.1 The Civic Development project is concerned with delivering the Council's place-shaping and civic leadership responsibilities for enhancing the attractiveness and cultural vitality of the borough. The benefits from the project will accrue not to the Council as the funder but to those who live and work in and visit the Borough. This report sets out the costings, funding strategy and borrowing strategy to deliver the proposed new Theatre, Civic Centre, underground car park and public realm.
- 1.2 The report highlights the three independent reviews commissioned by the Council to review the approach to Project Management, a review of the key financial assumptions underpinning the Civic Development Project and the robustness of the funding strategy, and a desk-top review of the Council's balance sheet.

Costings

- 1.3 The Council has received the costings report from the consultants AECOM following the completion of RIBA Stage 3. As the scheme progresses through each RIBA stage then more detailed information is obtained on the costs of the scheme and how the various elements will look and function. In addition there is the opportunity to improve the scheme and to take on board the comments of stakeholders. The costs of the scheme at Stage 3 are shown below.

| Components | Stage 3 (Developed Design) | |
|--------------|----------------------------|-------------|
| | Capital Cost | Revenue Net |
| | £m | £m |
| Office block | 20 | (0.60) |
| Theatre | 41 | 0.10 |
| 259 spaces | 15 | 0.00 |

Appendix R

| | | |
|--|------------|---------------|
| Public Realm | 4 | |
| Inflation | 5 | |
| Less fees incurred to planning stage | (4) | |
| Emergency suite, sprinklers & Theatre fit out | | |
| Expenditure (agrees to GVA report) | 81 | (0.50) |
| Capital receipt from Civic Site | (9) | |
| Net Build Cost | 72 | |
| Contingency and Fees included above | | |
| Other Potential Development Costs & Compensation | 4 | |
| Consultancy costs for Development Budget | 1 | |
| Net scheme cost to finance | 77 | |
| Cost of Borrowing | | |
| Principal and interest repayments | | 2.80 |
| Net Revenue Cost | | 2.30 |
| Other Funding Sources | 0 | |
| Net Cost to deliver | 77 | |
| Fee Expenditure to date | 4 | |
| Total Net Cost | 81 | |
| Total Gross Cost | 90 | |

Funding Strategy

- 1.4 In order to fund the net revenue cost of the project a total of £2.3 million of new recurring cost reductions or income is required from the Council's base budget allowed for within the Medium-Term Financial Strategy. The schedule of budget changes that need to be made ready for when the project is completed in 2022/23 is shown below.

| | By 2022/23 £000s |
|---|------------------------|
| Options for a new recycling and waste collection contract in 2019 | |
| 1 Choice for offering a chargeable garden waste service and KCC to share savings from reduced waste sent to landfill. | (700) |
| 2 Alternative ways to support community groups and Environmental Grants | (280) |
| 3 Review of development programme resources/ ROI | (500) |
| 4 Increased share of business rates | (300) |
| 5 Relocate Weald Information Centre to Hub | (40) |
| 6 Project Executive savings | (100) |
| 7 Senior Management savings (Achieved April 2017) | (120) |
| 8 Pension reserve contribution ends | (250) |
| TOTAL | (2,290) |

2 INTRODUCTION

- 2.1 The civic development project is concerned with delivering the Council's place-shaping and civic leadership responsibilities for enhancing the attractiveness and cultural vitality of the borough. The benefits from the project will accrue not to the Council as the funder but to those who live and work in and visit the Borough.
- 2.2 This report sets out the costs and proposed financing of the project but this project should not be viewed as a pure financial investment as the returns are not intended to be measurable in financial terms alone.

3. THEATRE BUSINESS PLAN AND CONSOLIDATED BUSINESS CASE

- 3.1 The Council has prepared an updated and consolidated business case for the Civic Development. This needs to be considered in conjunction with the detailed RIBA Stage 3 reports and the previous reports to Full Council on the Assembly Hall Theatre, Office accommodation and RIBA Stage 1 and 2 reports and decisions. The business case should also be read in conjunction with the Business Plan that has been prepared by Bonnar Keenlyside for the operation of the proposed new Theatre.

Theatre Business Plan

- 3.2 A Business Plan for the proposed new Theatre is attached as Report 4 Appendix 2. The Business Plan highlights that all indications point to there being sufficient supply and demand in the theatre market to sustain a similarly successful larger theatre in Tunbridge Wells, especially since it will be able to receive a much higher quality programme than enjoyed at present. The new theatre will have a larger stage, an improved orchestra pit, better wing space and much improved back and front of house facilities when compared with the current venue. It will also have the capacity for a broader F&B offer, generous public areas facing onto the park and a modern 250 place car park close by. This will greatly increase its capacity for the variety of its programme and the potential for commercial income.
- 3.3 With 1200 seats, the new theatre's programme will consist of more weekly runs with the annual programme typically containing up to 40/45% musicals; 15% drama; and 15% pantomime therefore, typically 70% of the whole programme is likely to come from these three genres.
- 3.4 The future rewards of the larger venue are clear - better, modern facilities for the public and performers, together with an enhanced programme. Equally, attracting more residents and visitors to Tunbridge Wells as evidenced by the potential economic impact.
- 3.5 The business plan recognises that the new theatre is likely to require subsidies until it achieves annual sales of towards 400,000 (based on the financial results of 1200 seat theatres elsewhere). Reaching this point could take up to seven or eight years to attain. Despite these projections the Council is proposing to budget within the MTFs for an extra £100,000 a year towards the Theatre subsidy. This is detailed later in this report.

Consolidated Business Case

- 3.6 The consolidated business case sets out the background problem, the Council's Strategies, risks and option appraisals, together with an assessment of the options the viability and payback. The three main options being Doing nothing (Staying Put), Do minimum (Refurbishment) and New Build however none of these options are cost free. A copy of the consolidated business case is attached as Report 4 Appendix 3.
- 3.7 The do nothing option is accepting that we continue to maintain the Town Hall and Theatre to the current standard, accepting the current size and limitations of the Assembly Hall Theatre will not be addressed and that existing maintenance and running costs for the Town Hall and Theatre will remain with life cycle costs estimated as £31,515,238.
- 3.8 The do minimum would require a refurbishment to make it more suitable for current employment practices during which the Council would need alternative premises for a number of years. In addition refurbishing the Theatre, by adopting Option 1 that was set out in the Stephen Browning Associates report, to improve the auditorium and create new bar facilities. This would not increase the number of seats, increase the size of the stage, wing space or fly tower. The lack of space in the wings would start to see the current facility become less attractive to shows as costs to deliver in a compromised space increase. The base capital investment costs are estimated as £28,000,000 with lifecycle costs estimated as £42,885,180.
- 3.9 While the Do something is the primary focus of this report with lifecycle costs of £33,925,329.

4 COSTINGS

- 4.1 The Council has received the costings report from the consultants AECOM following the completion of RIBA Stage 3. As the scheme progresses through each RIBA stage then more detailed information is obtained on the costs of the scheme and how the various elements will look and function. In addition there is the opportunity to improve the scheme and to take on board the comments of stakeholders.
- 4.2 The transition from Stage 2 (Concept Design) to Stage 3 (Developed Design) is iterative and will naturally result in changes to the costings as improvements are factored in. Stage 3 is also the point where very detailed cost calculations of each component are undertaken and the link made to the market cost of construction and materials which provides for a much firmer calculation of the cost of delivery.
- 4.3 In addition to taking on board comments from stakeholders and neighbours the scheme has been exposed to the views of the Local Planning Authority which provides an opportunity to alter the scheme to address any concerns in terms of planning policy.
- 4.4 The table below compares the component costs of the scheme as reported at RIBA Stage 2 in January 2017 with those at Stage 3.

Table: Project Summary Costings

| Components | Stage 2 (Concept Design) | | Stage 3 (Developed Design) | |
|---|--------------------------|---------------|----------------------------|---------------|
| | Capital Cost | Revenue Net | Capital Cost | Revenue Net |
| | £m | £m | £m | £m |
| Office block | 18 | (0.50) | 20 | (0.60) |
| Theatre | 40 | 0.10 | 41 | 0.10 |
| Underground car park | 14 | 0.00 | 15 | 0.00 |
| Public space | 3 | | 4 | |
| Inflation and Exchange rate risk | 6 | | 5 | |
| Less fees incurred to stage 3 | (4) | | (4) | |
| Emergency suite, sprinklers & Theatre fit out | 1 | | | |
| Expenditure | 78 | (0.40) | 81 | (0.50) |
| Capital receipt from Civic Site | (9) | | (9) | |
| Net Build Cost | 69 | | 72 | |
| Contingency and Fees included above | | | | |
| Other Potential Development Costs | 3 | | 4 | |
| Consultancy costs for post stage 3 | 0 | | 1 | |
| Net scheme cost to finance | 72 | | 77 | |
| Cost of Borrowing | | | | |
| Principal and interest repayments | | 2.80 | | 2.80 |
| Net Revenue Cost | | 2.40 | | 2.30 |
| Other Funding Sources | 0 | | 0 | |
| Net Cost to deliver | 72 | | 77 | |
| Fee Expenditure to date | 2 | | 4 | |
| Total Net Cost | 74 | | 81 | |
| Total Gross Cost | 83 | | 90 | |

Summary explanation of each project costing movement

4.5 Office Block

The massing of the office block has been reduced to sit more sympathetically with its surroundings. Balconies have been installed which reduce the impact on nearby properties following planning advice. There is now a publicly accessible terrace on top of the Council Chamber which increases the amount of useable public space.

The emergency response suite facilities are now included within the office costs as they were previously shown separately under stage 2.

As a result of the changes, the lettable tenant space is now expected to achieve a higher income of £600,000 following design improvements and higher demand for office accommodation in the town.

4.6 Theatre

Following feedback from neighbours and stakeholders the vehicle servicing area will now be partially covered and the fly tower both reduced in height and the visual impact softened through the use of planting. The additional theatre fit-out that was shown separately under stage 2 has now been included within the Theatre costs.

The subsidy of the current theatre is provided for within the Medium-Term Financial Strategy (MTFS) at an average of £250,000 a year. An extra £100,000 a year will be budgeted for within the MTFS despite projections in the Theatre Business Plan showing that the new theatre should require a lower level of subsidy.

4.7 Underground Car park

Following new advice from safety consultants a sprinkler system will be incorporated and this is included within the stage 3 costs. The number of spaces has been increased to 261 whilst still retaining the wide bay width of 2.5 metres.

4.8 Public space

This important space will create a much wider and inviting opening to Calverley Grounds. This area has the potential to be a new town square which not only complements the two new buildings but helps to link the northern and southern parts of the town. This large space could provide an ideal opportunity to install a significant water feature to showcase the town's spa status. The design will be for the public to determine but the necessary infrastructure has now been included within the stage 3 costs. This is likely to become a prominent area where the public will gather and the quality of materials will need to reflect this attractive setting and the sense of arrival due to the proximity of the train station.

4.9 Inflation and Exchange Rate Risk

The exchange rate risk has now materialised and is factored into the cost of construction and materials. An allowance for inflation is still being allowed for.

4.10 Fees incurred to RIBA stage 3

These are the professional fees that have been incurred from the Civic Development Budget to get to the end of stage 3.

4.11 Capital Receipt

The value of land has increased since the stage 2 report, however the cost of construction and materials has also increased. There is no change to the value of the civic site that a purchaser would be expected to pay for the site.

4.12 Other potential development costs

The specialist consultants are advising the Council to make a greater provision for any right to light or compensation claims.

4.13 Consultancy costs for the Development Budget

The procurement of specialist consultants has cost £4 million to this stage. If the Council agrees to progress into Stage 4 and take a design and build approach then a further £1 million of consultancy fees will be required.

4.14 Net cost of the scheme to finance

The improvements to the scheme explained above and the fees required to progress the project further give a net cost of £77 million which will be financed through borrowing.

4.15 Cost of borrowing

At stage 2 an allowance was made for borrowing costs to be 3 per cent for a 50-year annuity loan. A more accurate figure of 2.75 per cent can be used which reflects the likely interest rate that the Council can access.

Although the amount to be borrowed has increased this has been off set through lower than originally allowed for interest rates. The fixed cost of repaying the debt (principal and interest) is expected to remain at £2.8 million a year for 50 years at which point the debt will have been completely paid off.

4.16 Other Sources of Funding

No external sources of funding, grants, sponsorship or donations have been assumed in the financing of the project.

No capital receipts other than from the Civic Complex have been assumed.

4.17 Net cost to deliver

The net cost to deliver the project is £77 million.

4.18 Fee Expenditure to date

At the time of stage 2 not all of the allocated £4 million of development budget fees had been spent.

4.19 Total Net Cost

Although the development budget fees have been spent using existing council resources if these are added back to the cost of delivery then the total net cost of the scheme would be £81 million.

4.20 Total Gross Cost

If the capital receipt from the sale of the civic site is not netted off then the Total Gross Cost of the scheme would be £90 million.

4.21 Construction Contingency

The project costings include the industry standard levels of contingencies for Stage 3 projects of 6.5 per cent. The theatre is a more specialist build and a 10 per cent construction contingency has been allowed for.

4.22 Sensitivity Summary

There will be a £50,000-a-year revenue impact for each 0.1 per cent variance in the rate of interest charged for borrowing or a variance of £1 million in the amount borrowed.

The detailed project timeline is included within the Stage 3 reports and allows for delays due to public enquiries and other events. Should exceptional delays put back the awarding of the contracts beyond that provided for then construction inflation will be in the region of £200,000 per month.

5. FUNDING STRATEGY

- 5.1 In order to fund the net revenue cost of the project a total of £2.3 million of new recurring cost reductions or income is required from the Council's base budget allowed for within the Medium-Term Financial Strategy. The schedule of budget changes that need to be made ready for when the project is completed in 2022/23 is shown below.

By
2022/23
£000s

| | | |
|---|---|----------------|
| | Options for a new recycling and waste collection contract in 2019 | |
| 1 | Choice for offering a chargeable garden waste service and KCC to share savings from reduced waste sent to landfill. | (700) |
| 2 | Alternative ways to support community groups and Environmental Grants | (280) |
| 3 | Review of development programme resources/ ROI | (500) |
| 4 | Increased share of business rates | (300) |
| 5 | Relocate Weald Information Centre to Hub | (40) |
| 6 | Project Executive savings | (100) |
| 7 | Senior Management savings (Achieved April 2017) | (120) |
| 8 | Pension reserve contribution ends | (250) |
| | TOTAL | (2,290) |

5.2 No.1 Options for a new recycling and waste collection and street cleansing contract in 2019

The current 10-year contract expires at the end March 2019. Following the Overview and Scrutiny working group report to Cabinet in April 2017 work has been progressing with Tonbridge & Malling Borough Council, Dartford Borough Council and Kent County Council to identify the optimal waste and recycling service and procurement options.

A new contract provides the opportunity for service changes that can increase recycling rates and reduce collection and treatment costs by introducing the collection of glass bottles, providing a separate weekly collection of food waste and giving the option to introduce an opt-in chargeable garden waste collection service.

This is expected to deliver net cost reductions of £700,000 a year.

5.3 No. 2 Alternative ways to support community groups and environmental grants

The Council has long sought to avoid passing on disproportionate reductions in grants to the voluntary and community sector as a whole but has worked with these organisations to reduce their reliance on council funding. The approach adopted has been to negotiate three-year 'service level agreements' with reducing financial support from the Council year on year. This provided them with more certainty than awarding funding a year at a time.

From 2018/19 onwards the Council is facing a complete loss of central government support grant and will therefore need to make significant reductions in future years. In anticipation of this the Council introduced its own lottery scheme (TWLOTTO) for good causes as a means of raising additional funding for the community and voluntary sector and will continue to provide a reliable source of core funding.

In addition the Council is reviewing the services it procures from external organisations and the support it provides to partnership agreements that it is engaged with. The aim is to reduce their dependency on financial support from the

Council and to consider more cost-effective alternatives for service delivery. The 2017/18 community grants budget is £315,000 this will gradually be reduced until 2022/23 with a budget of £35,000 remaining for directly commissioned services. The Council will still consider capital requests or ways to support groups becoming less reliant on the Council. In addition the TW Lottery is generating £50,000 per annum.

This is expected to deliver net cost reductions of £280,000 a year.

5.4 No.3 Review of the development programme resources/ Return on Investment

To support the development programme and the disposal of surplus assets an additional £500,000 of staffing resources was added to the 2016/17 Property Services budget. These funds are in the Council's base budget and in 2022/23 the civic development scheme will have concluded which could release this budget as a saving. However, the asset disposal scheme has been far more financially successful than anticipated generating over £15 million of receipts to date (and, in addition reducing running costs and increasing rental returns). This team has developed a well rehearsed process of identifying under-performing assets and either disposing, obtaining planning permission or undertaking development.

A number of Council land holdings have further potential to generate either a capital receipt or an annual return following development. These resources are needed to enable a return on investment which can be demonstrated as further schemes come forward.

This is expected to deliver net cost reductions of £500,000 a year.

5.5 No.4 Increased share of business rates

The Government introduced the Business Rates Retention Scheme on 1 April 2013 (known as the 50 per cent scheme). It is a scheme aimed at incentivising councils to support the growth of business rates, by allowing them to keep a proportion of the business rate growth they collect for themselves rather than passing it to central government. Tunbridge Wells has delivered growth year on year and in 2016/17 the benefit derived from the scheme exceeded £800,000. None of this has been included in the revenue budget before as it was a new scheme and it was unclear as to how much the Council could achieve. With the benefit of four years of actual results and more certainty regarding appeals, including £300,000 in the revenue budget is felt to be a prudent assumption. It should be noted that Business Rate valuations and appeals continue to be managed centrally and this proposal merely relates to the Council retaining a share of business growth not charging businesses more in Business Rates.

This is expected to deliver income of £300,000 a year.

5.6 No. 5 Relocate the Weald Information Centre to a new Hub

The way Gateway services are delivered was changed last year to move to an appointment-based system in line with other Kent Gateways and to offer a more tailored and effective customer service. Operating an appointment system is a more efficient means of meeting demand and has reduced wait times for customers. The plan is for the Tunbridge Wells Gateway to move into the Culture & Learning Hub. As the Community Hubs are built the appointments system will be

adopted for complex needs by holding face to face meetings. There will always be a need for some immediate assistance for customers in vulnerable situations and this will still form part of the service provided. As the contact centre continues to improve its digital services it is anticipated that demand for face to face and telephone contact will reduce. However the Council will continue to provide a fully accessible service to residents with complex needs or that cannot access the services they need in other ways.

This is expected to deliver net cost reductions of £40,000 a year.

5.7 No.6 Project Executive Savings

As part of a senior management restructure a new post of Project Executive was created specifically to oversee the proposed Cultural and Learning Hub and to support the delivery of community hubs in Southborough, Cranbrook and Paddock Wood.

These projects are expected to either reach fruition or a conclusion as regard the Council's involvement by 2020/21.

This is expected to deliver net cost reductions of £100,000 a year.

5.8 No.7 Senior Management Savings

In April 2017 a Senior Management Restructure resulted in the post of Director of Planning and Development being deleted from the establishment. Responsibilities have been reallocated amongst the remaining Directors.

A Civic Development Reserve has been created and from April 2018/19 the savings from this post will be transferred into this reserve.

This is expected to deliver net cost reductions of £120,000 a year.

5.9 No. 8 Pension reserve contribution ends

In 2011/12 the Council made a one-off payment of £2.024 million to the Kent Pension Scheme to extinguish its liability for historic unfunded pension benefits. This payment was initially met from the General Fund. This created an annual saving to the revenue budget of around £215,000. Cabinet agreed to make the payment on the condition that it was all repaid to reserves from the revenue budget over the next 10 years. Annually a repayment of £215,000 has been budgeted for, but if possible a higher contribution is made in order to complete the repayments earlier. In 2016/17 a contribution of £250,000 was made to the Pensions Settlement Reserve (the reserve created to hold the funds).

If £250,000 is repaid again at the end of 2017/18 this will leave £597,000 to be repaid. If the repayment continues at this rate, it will be fully refunded by the end of 2020/21. This releases the annual liability to the revenue budget.

This is expected to deliver net cost reductions of £250,000 a year.

5.10 Cash flow timings of Funding Strategy

Some of the elements in the funding strategy have already been delivered and in the coming years others can be transferred to the Civic Development Reserve to both build up a further contingency and also to keep them completely separate

Appendix R

from the balancing of the annual revenue budget. The profile of how the funding strategy is expected to arise is shown below.

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | By 2022/23 |
|--|--------------|--------------|----------------|----------------|----------------|
| Savings to finance loan repayment | £000s | £000s | £000s | £000s | £000s |
| Options for a new recycling and waste collection contract in 2019 | | | | | |
| 1 Choice for offering a chargeable garden waste service and KCC to share savings from lower landfill costs | | 0 | (350) | (700) | (700) |
| 2 Alternative ways to support community groups and Environmental Grants | | (70) | (140) | (210) | (280) |
| 3 Review of development programme resources/ ROI | | | | (250) | (500) |
| 4 Increased share of business rates | (100) | (150) | (200) | (250) | (300) |
| 5 Relocate Weald Information Centre to Hub | 0 | 0 | 0 | 0 | (40) |
| 6 Project Executive savings | 0 | 0 | (100) | (100) | (100) |
| 7 Senior Management savings (Achieved April 2017) | (120) | (120) | (120) | (120) | (120) |
| 8 Pension reserve contribution ends | 0 | 0 | 0 | 0 | (250) |
| TOTAL | (220) | (340) | (910) | (1,630) | (2,290) |
| Cumulative Civic Development Reserve Balance | (220) | (560) | (1,470) | (3,100) | |

The above contingency will be available to fund the initial higher level of subsidy required for the new theatre until such time as increased audience levels have been established. This contingency will also be available should any other upfront costs be required to ensure the successful opening and delivery of the project.

5.11 Prudence

The funding strategy for the Civic Development Project is designed to cover the cost of borrowing through new cost reductions with only the rent from the tenant part of the new office being netted off. A number of other approaches could have been assumed which would have reduced the amount of cost reductions but by taking a more prudent approach this will strengthen the financial position of the Council following completion. These are summarised below;

- The Business Plan for the new theatre says that the theatre could be subsidy free after six years. However, despite this, the above costings have assumed an average recurring subsidy of £350,000 per annum - £100k more than the average subsidy for the existing Assembly Hall Theatre.
- The revenue budget assumes no change to the £250,000 of income currently received from the existing car parks at Great Hall and Mount Pleasant Avenue. However the forecast for the new premium underground car park is for net operating income to be £540,000 per annum.
- The Economic Impact of the new theatre is forecast to be £22 million. However no assumption has been made for any financial benefits to be received to the Council's other income streams.

- The part of the new office to be occupied by the Council will enable digital and flexible ways of working. However no assumption has been made as to the efficiency savings that will occur.
- Other than from the sale of the Civic Centre no other capital receipts have been assumed. Over the past few years £15 million has been received from the sale of surplus land and assets. The Council still holds land that has the potential to deliver similar sums that could be applied against the scheme to reduce the level of borrowing.
- Other new theatres have received substantial levels of initial and ongoing external contributions from grants, sponsorship, donations or other fundraising. The funding of this project has made no assumptions of any external sources of funding.

5.12 Sinking Fund

Although the new Theatre, Office and Car Park will require no significant levels of maintenance and refurbishment in the early years, it is proposed to set up a Sinking Fund when the buildings are complete. The intention is to contribute to this Sinking Fund on an annual basis as soon as the project is complete. This will ensure that funds are built up over time which will then be available when the time comes to undertake major refurbishment and repairs.

6 BORROWING STRATEGY

- 6.1 For modelling purposes it has been assumed that the Council would borrow the full amount in one instance at a rate of 2.75 per cent over 50 years from the Public Works Loans Board (PWLB) on an annuity basis.
- 6.2 The Treasury Management Policy and Strategy will need to be amended to increase the Authorised Limit for External Debt (currently £20 million) by an additional £77 million.
- 6.3 Borrowing will take place in accordance with the Treasury Management Policy and Strategy with regard to the CIPFA Prudential Code.
- 6.4 Actual borrowing will not take place until the procurement of contractors has taken place and the cash-flow requirements of the successful contractor have been set out and accepted. The Council will need to balance the requirements of the contractor with the control of risk managing the release of the appropriate stage payments based on progress.
- 6.5 A risk-based approach will require a series of individual loans to be taken out at various intervals but all of which will be benchmarked against the modelled example of a single loan. These loans may be taken out short-term at lower interest rates so that a view can be taken on whether to then have a fixed maturity date to enable the total debt to be locked in over 50 years at a single rate. This will depend on the view nearer the time of the movement in interest rates and the cost of carry from borrowing in advance. The aim is to end up with a single loan at a fixed interest rate for the life of the loan and be on an annuity basis whereby each repayment will include an element of interest and principal.

6.6 Source of Borrowing

For modelling it is assumed that borrowing will be provided by the PWLB however, the Council is able to borrow from other financial institutions which would include the Lloyds Banking Group who are the Council's current bankers.

6.7 Interest Rates

For modelling purposes an interest rate of 2.75 per cent has been used. This represents the current PWLB rate for an annuity over 50 years discounted by the 0.20 per cent certainty rate which this Council is entitled to due to its strong financial standing. The expected rise in the bank base rate in November 2017 has already been factored in by the market in setting borrowing rates. Long-term interest rates are not as susceptible to changes to the bank base rate.

The Council has been approached by a number of financial institutions including Lloyds Bank who would be prepared to offer a lower interest rate to that of the PWLB rate because of the financial standing and risk profile of the Council.

In addition, the Council is currently awaiting the decision by HM Treasury to provide a 0.4 per cent discount to the published PWLB rates for infrastructure projects. The Council has suggested that the criteria of infrastructure is more than just transport projects and should be broader to include cultural and civic projects which are also necessary to ensure growing areas are vibrant and economically sustainable.

The sensitivity of interest rates on borrowing are such that a change of 0.1 per cent in the interest rate results in a £50,000 a year change to the cost of repayment. A change to the amount borrowed of £1 million will result in a £50,000 a year change to the cost of repayment.

6.8 Gearing Risk

The Council will move from a very low level of debt to a high level which is affordable and underpinned by a sound balance sheet. The increase in debt gearing on the Council's finances will limit future ambitions which are not externally funded. This position will not impact on standalone investment decisions.

6.9 External Fundraising

The Council has not assumed any external funding towards the Civic Development Project. The reality is that such an exciting and high profile project would attract significant interest from external funders but it is better to wait until the project has planning permission before undertaking any fundraising. This approach will increase the attractiveness to external parties who want to support the project and will provide both them (and the Council) with a greater degree of certainty over the various opportunities to financially support and be associated with the project.

Potential sources of external fundraising would include government grants, lottery funding, corporate sponsorship, naming rights and individual donations.

Fundraising is a specialist function and a Fundraising Strategy will be required to ensure that fundraising activities meet the Council's objectives.

A separate charitable trust is likely to be established along with a Friends group which will co-ordinate fundraising. The Marlowe Theatre in Canterbury which

opened in 2011 attracted the following external fundraising albeit around the time of the recession:

| | |
|---------------------------------------|--------------|
| Kent County Council Grant | £2 million |
| KCC Loan at 2 per cent | £2 million |
| South East England Development Agency | £2 million |
| Private Sector | £4.1 million |

This left Canterbury City Council only needing to fund £15.5 million of the £25.6 million cost.

In addition, the Charitable Trust's fundraising continues to this day including donations, legacies, sponsoring of seats (at £500 each) and the Arts Council are match funding every donation until 2019.

6.10 Council Tax Strategy

There is no change to the strategy for Council Tax set out in the Medium-term Financial Strategy. Council tax will continue to increase by the permitted cap of £5 a year to cover inflationary pressures and increased demand for services. The civic development scheme will not add further to the level of Council Tax.

6.11 Civic Centre Site

A capital receipt of £9m has been assumed for the sale of the current Civic Centre site based on the views of GVA and some soft market testing. However, the Council would also keep its options open to consider renting the buildings and retaining the freehold if that meets the Council's financial requirements.

7 INDEPENDENT REVIEWS

7.1 Mid Kent Audit Service were commissioned to undertake a review of the approach to Project Management in relation to the Civic Development Project. Their report Mid Kent Audit review of the Civic Development Project is attached as Report 4: Finance Appendix 4. The overall opinion based on the audit work is that the Council has Strong controls operating over the project management, governance and budgetary control of the Civic Development project.

7.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) are the leading professional body regarding the use of public finances. They have been commissioned to review the key financial assumptions underpinning the Civic Development Project and the robustness of the funding strategy. Their report CIPFA review of the Civic Development Project is attached as Report 4: Finance Appendix 5.

7.3 The CIPFA team were impressed by the council and many aspects of their approach to the project, it has all the aspects of successful delivery, in particular:

- Vision
- Ownership/Commitment
- The retained architects, GVA are of high quality and are supplemented by an experienced in-house team

- The quality and thoroughness of pre-tender work on delivering the build
- Savings strategy – appears deliverable
- Prudent financial planning approach
- The involvement and approach of the Director of Finance, Policy and Development

7.3 Capital Asset Services have been commissioned to undertake a desk-top review of the Council's balance sheet. This helps to ensure that the Council has the financial capacity to undertake the Civic Development Project. This exercise identified that the Council has available a working capital surplus of £8.8 million which will help it to absorb fluctuations in cash flow over the medium-term without the need for external borrowing.

8 REPORT APPENDICES

The following documents are to be published with, and form part of, the report:

- Report 4: Finance Appendix 1: Civic Development Construction Costs
- Report 4: Finance Appendix 2: Business Plan for the proposed new Theatre
- Report 4: Finance Appendix 3: Consolidated Business Case
- Report 4: Finance Appendix 4: Mid Kent Audit review of the Civic Development Project
- Report 4: Finance Appendix 5: CIPFA review of the Civic Development Project

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Report 4: Project Financials - Appendix 1

Tunbridge Wells Civic Development Construction Costs

RIBA Stage 3 Cost Plan Nr. 2 Rev 2

| Summary of Costs Stage 3 Scheme | £ | £ |
|---|------------------|--------------------------|
| Offices | | 19,702,500 |
| Shell & Core; 5,226m2 GIA @ £3,103/m2 | 13,344,700 | |
| Tenant CAT A Fit-out; 1,878m2 NIA @ £755/m2 | 1,121,300 | |
| Council CAT A Fit-out 1,143m2 NIA @ £748/m2 | 675,900 | |
| Council CAT B Fit-out 1,143m2 NIA @ £640/m2 | 578,100 | |
| Civic Suite CAT B Fit-out 522m2 NIA @ £3,423/m2 | 1,412,600 | |
| Professional Fees | <u>2,569,900</u> | |
| Theatre | | 41,445,100 |
| Shell, Core & Fit-out; 6,484m2 GIA @ £6,738/m2 | 34,537,600 | |
| Professional Fees | <u>6,907,500</u> | |
| Car Park | | 15,431,600 |
| Shell, Core & Fit-out; 8,631m2 GIA @ £1,889/m2 | 13,418,800 | |
| Professional Fees | <u>2,020,300</u> | |
| External Works | | 4,172,700 |
| Public realm and highways works; 20,341m2 GIA @ £229/m2 | 3,628,400 | |
| Professional Fees | <u>544,300</u> | |
| Sub Total | | 80,751,900 |
| Omission of Consultant Fees to Planning | | (4,212,000) |
| Total Cost Excluding Inflation | | <u>76,540,000</u> |
| Inflation | | 4,914,000 |
| Total | | <u>81,454,000</u> |

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New Theatre for Tunbridge Wells
Tunbridge Wells Borough Council
Business Plan

October 2017

Contents

| | PAGE |
|--|------|
| 1. Executive Summary | 1 |
| 2. FAQs (frequently asked questions) | 6 |
| 3. Future programming policy and positioning | 14 |
| 4. Market position | 19 |
| 5. Transition planning | 23 |
| 6. Management structures | 26 |
| 7. Food & beverage | 31 |
| 8. Financial model | 37 |
| A: Financial tables | 41 |
| B: Summary of market statistics from 2014 | 42 |

New Theatre for Tunbridge Wells – Business Plan

1. Executive Summary

- 1.1. Tunbridge Wells Borough Council is building a new 1200 seat theatre beside Calverley Grounds which will be capable of presenting a wide ranging, high quality programme.
- 1.2. The current theatre operates in the south-east region where there are some 4.452 million people who are likely to be arts attenders and 2.417 million who are likely to attend the theatre. Within TN post codes alone, there are identifiable groups with strong interests in the arts of up to 200,000. Currently the theatre attracts some 60,000 annually from TN post codes. This indicates room for growth in this identified area, with the potential for more attenders from further afield.
- 1.3. By way of comparison, three Ambassador Theatre Group theatres in Milton Keynes Aylesbury and Woking (which are all one hour or less from central London) offer high quality programmes and attract annual audiences of between 300,000 and 400,000.
- 1.4. All indications point to there being sufficient supply and demand in the theatre market to sustain a similarly successful larger theatre in Tunbridge Wells, especially since it will be able to receive a much higher quality programme than enjoyed at present.
- 1.5. The new theatre will have a larger stage, an improved orchestra pit, better wing space and much improved back and front of house facilities when compared with the current venue. It will also have the capacity for a broader F&B offer, generous public areas facing onto the park and a modern 250 place car park close by. This will greatly increase its capacity for the variety of its programme and the potential for commercial income.
- 1.6. With 1200 seats, the new theatre's programme will consist of more weekly runs with the annual programme typically containing up to 40/45% musicals; 15% drama; and 15% pantomime (therefore, typically 70% of the whole programme is likely to come from these three genres):

New Theatre for Tunbridge Wells – Business Plan

- With 985 seats, the Assembly Hall Theatre has been attracting an average of 130,000 annual ticket sales over the past six years. Successful venues at 1200 seats attract at least 250,000 and up to 400,000 sales (the latter being generally managed without subsidies);
 - At 250,000 ticket sales, subsidies of £350,000 are not uncommon and can be higher;
 - Therefore, in order to be subsidy free, the ultimate annual target of the new theatre in Tunbridge Wells will be realistically some 400,000 ticket sales;
 - It would be ambitious to achieve this within the early years of opening (from the starting position of the existing Assembly Hall Theatre operation) and may take up to seven or eight years to attain.
- 1.7. The future rewards of the larger venue are clear - better, modern facilities for the public and performers, together with an enhanced programme. Equally, attracting more residents and visitors to Tunbridge Wells as evidenced by the potential economic impact. The concomitant risks will be managing a smooth transition from the current theatre's operation and programming style of largely one night events into the larger venue and achieving a different programming balance with many more weekly runs.
- 1.8. In order to deliver a smooth transition to the new theatre, a soft opening is recommended, engaging with local companies and residents to assist in establishing the new venue. BK would strongly recommend against attempting to present any interim programme between the closing of the old and opening of the new theatre as this deflects skills and energies away at a critical moment of planning and commissioning of the new operation.
- 1.9. The Council should be prepared to subsidise the new theatre at a higher level than at present in its early years. The new theatre is likely to require subsidies until it achieves annual sales of towards 400,000 (based on the financial results of 1200 seat theatres elsewhere).
- 1.10. The current theatre budget is projected as follows:

New Theatre for Tunbridge Wells – Business Plan

| Current theatre | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Overall return | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Overall return | 202,592 | 197,895 | 203,122 | 197,646 | 191,468 |
| Creative Learning | 47,438 | 52,452 | 49,952 | 51,466 | 54,480 |
| Revised total return | 250,030 | 250,347 | 253,073 | 249,112 | 245,948 |

1.11. The new theatre's currently projected budget is:

| New theatre | Soft opening | | | | | | | |
|-----------------------------|---------------------|----------------|----------------|---------------|---------------|-----------------|-----------------|-----------------|
| Overall return | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
| Overall return | 1,127,077 | 571,942 | 350,442 | 24,192 | -37,661 | -175,908 | -314,155 | -338,152 |
| Creative Learning | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 |
| Revised total return | 1,182,077 | 626,942 | 405,442 | 79,192 | 17,339 | -120,908 | -259,155 | -283,152 |

1.12. The average subsidy taken over 8 years is some £206k per year.

1.13. Sensitivities of $\pm 5\%$ have been applied to the financial projections, with concomitant variations of:

| Sensitivities on outcomes | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
| Plus 5% | 1,241,181 | 658,289 | 425,714 | 83,152 | 18,206 | -126,952 | -272,111 | -297,306 |
| Minus 5% | 1,122,973 | 595,595 | 385,170 | 75,232 | 16,472 | -114,862 | -246,195 | -268,992 |

1.14. Clearly, the key imperative is to build a high quality programme and a large increase in audiences.

1.15. It will be critical to monitor the Assembly Hall Theatre's key performance indicators on an annual basis up until the new theatre opens and they should include:

- Number of performances;
- Number of attendances;
- Average attendance per performance;

New Theatre for Tunbridge Wells – Business Plan

- Average ticket prices achieved for different categories of programming (i.e. pantomime, drama, dance, comedy, music etc);
 - Net income from performances (i.e. financial percentage of ticket sales retained);
 - Net income from F&B sales;
 - Cost of salaries and on costs.
- 1.16. It would also be advisable to maintain an appropriate contingency operating fund of at least £100k per year until the new theatre model has settled down.
- 1.17. In terms of economic impact, the current calculation would indicate the following as an indicator of potential:

| Economic impact | | |
|--|--------------------|---|
| New Theatre Year 8 | | |
| Income from ticket sales | £9,200,000 | Net of VAT |
| Booking fees | £400,000 | Booking fees @ £1 per ticket |
| Overseas earnings | £0 | None assumed |
| Additional visitor spend | £751,000 | Based on all F&B sales |
| Salaries | £1,681,361 | |
| Subsistence allowances & local spend by visiting companies | £1,725,000 | For visiting artists, assumed at 25% of performance fees |
| Goods & services expenditure, including recharges | £1,000,000 | |
| <i>Total before multiplier</i> | £14,757,361 | Multiplier @ 1.5, which takes into account knock on effect to local economy |
| Total economic impact | £22,136,042 | |

- 1.18. Other theatres which use the Shellard formula report results as follows:
- The Hippodrome in Birmingham (1800 seats) is estimated to have an economic impact of over £45 million;

New Theatre for Tunbridge Wells – Business Plan

- The Lowry Centre in Salford (1730 and 430 seats) is estimated to have an economic impact of £29 million per annum;
- The Theatre Royal Norwich (1200 seats) an economic impact of £28 million;
- The new Marlowe Theatre in Canterbury (1200 seats) an economic impact of over £34 million;
- The Grand Theatre Blackpool (1000 seats) an economic impact of £12 million.

2. FAQs (frequently asked questions)

2.1. Here are some FAQs which may help with the interpretation of this report:

Will the new theatre be a success?

2.2. There is a wide network of professional theatres across the UK. This includes some 40 presenting houses with capacities of between 900 and 2300 seats, of which around half are operated commercially. Those operated independently or by local councils with around 1200 seat capacities include Norwich Theatre Royal, Newcastle Theatre Royal (both used here as models), Wolverhampton Grand, Marlowe Theatre Canterbury, Northampton Derngate and the New Theatre Hull. In addition to these, the commercial Ambassador Theatre Group operates a number of similar sized theatres including the Waterside Theatre, Aylesbury, Milton Keynes Theatre and the New Victoria, Woking. At the present time, all of those which publish accounts are reporting stable and successful operations. Some operate without subsidy (Newcastle and Norwich), some with local authority support currently reducing to zero (Wolverhampton and Canterbury). There are various operating models, but the new theatre in Tunbridge Wells will share all of its characteristics within the key elements of that group and there is no reason therefore, in principle, why the new theatre will not be successful.

Why is the theatre at 1200 capacity and not 1500?

2.3. The scale of any theatre is critical to the programme which it is able to present. Currently, the Assembly Hall Theatre at less than 1000 seats is not able to offer a commercial return to external producers and companies due to its well documented capacity and technical constraints. Commercial producers have articulated these issues in detail.

2.4. For example, from the producer of *Legally Blond*: *“Further to our conversation the other day I just wanted to confirm our reasons for not including the Assembly Hall Theatre on the UK tour we are producing. As you know we are very aware of your space and the technical limitations therein. Whilst we would love to bring the show to Tunbridge Wells we would have to compromise the physical production too much to get it on stage. There are several elements in the design of the show that simply wouldn’t make it on to the stage due to lack of wing space and a useable dock area.*

New Theatre for Tunbridge Wells – Business Plan

I know that there are ongoing discussions to build a new theatre for Tunbridge Wells and as a touring producer I can assure you that where this to go ahead there would be no shortage of number one productions queuing up to be a part of your programme. The market in your area is absolutely right for large scale shows and deserves a theatre capable of fulfilling this potential, and showing them off as they were designed to be seen” (Martin Dodd, Managing Director, UK Productions).

- 2.5. An extensive piece of research into show fits by Theatre Projects identified that all 25 currently touring productions would fit into the new theatre – with the sole exception of *Phantom of the Opera* which will only fit a few theatres in the UK in any event.
- 2.6. At 1200 seats the new theatre will both increase its capacity and its capability for presenting a wide-ranging programme. With this many seats, it will be able to present operas, dance and musicals, as well as high quality touring drama productions which may attract some 700-800 attendances. At 1500 seats, although the theatre can offer a higher gross income to visiting companies, it would be too big for drama productions (for example, the Olivier Theatre at the National is 1200 seats and West End drama theatres are all less than 1200 seats (current plays performing in WE are all in theatres with less than 900 seats except for *Harry Potter and the Cursed Child*). It would also disadvantage community groups for the same reasons.
- 2.7. It is important to note that, with 100 seats removed for musical performances, the seat count at 1100 will still accommodate the average projected capacity for musicals at 900 seats per performance (the average attendance achieved elsewhere for musical performances).
- 2.8. Commercial theatre operators were consulted and agreed with this assessment. For example, Ambassador Theatre Group, which runs the largest number of theatres at all scales in the UK, confirmed that 1200 seats would be a “sweet spot” - *“A new theatre in Tunbridge Wells is a very exciting proposition, it will help to attract a wider range of West End/touring shows to the town, and we would certainly consider the new venue for our tours. It’s fantastic to see a Town developing its cultural economy with such commitment, and developing a vibrant destination in this part of the region.”*

New Theatre for Tunbridge Wells – Business Plan

Is the growth in ticket sales realistic and Is the projected annual capacity figure realistic and what evidence do we have to back this up?

- 2.9. The new theatre will be a very different operation from the current Assembly Hall Theatre and will be able to offer a much broader and higher quality programme due to its increased capacity and technical capability. The 1200 seat theatres listed above which operate without subsidy typically attract an average of 300,000 to 400,000 ticket sales per year, compared with the AHT's current 100,000 or so.
- 2.10. The capacity in the local and regional market for theatre attendances within one hour's drive time of Tunbridge Wells is identified as 2.417 million people, with 200,000 in local post codes alone, of which the AHT currently captures 60,000 (*source: 2011 National Census; TGI (Target Group Index); BMRB 2015, Audience Spectrum; Experian 2015 and Mosaic profile data*).
- 2.11. Given the capacity of the local and regional market and the improved programme which will be similar in quality to the exemplar theatres used in this report, in principle, the new theatre in Tunbridge Wells will be able to match their performances. Achieving that will be subject to a high number of variables including, for example, maintaining the highest quality of management, access to national programming, the success of the annual pantomime, first class customer service and modern marketing operations). This is why the future financial model shows the 400,000 sales and a subsidy free status being achieved only after 7 or 8 years.

What will be the competitive position with the Marlowe Theatre?

- 2.12. As a rule of thumb, one third of any venue's audience comes from within a few miles, one third from the surrounding region and one third from further afield.
- 2.13. Taking into account the one hour drive time from Tunbridge Wells, Canterbury is 50 miles distant at just over one hour's travel by car. As many will know, this is not an easy drive and the main route would go through Maidstone, which is 17 miles from Tunbridge Wells and 28 miles from Canterbury (all routes calculated by the AA).
- 2.14. Maidstone is the biggest population centre between the two towns (113,000 population at the 2011 census) and, as can be seen, once the new theatre is open,

New Theatre for Tunbridge Wells – Business Plan

audiences will be more likely to travel from Maidstone to Tunbridge Wells than Canterbury as it is much closer.

- 2.15. It is likely that there will be considerable cross over between the programmes of the two theatres, but some shows would appear in different seasons. It can be argued that the Marlowe will lose audiences to Tunbridge Wells once its new theatre is open rather than the other way around. However, even more important is to note that the catchment area for the Tunbridge Wells area to the south and south west is much greater than Canterbury enjoys (because some of Canterbury's one hour drive time covers a large area of sea).

Why will people attend performances locally and not go to London?

- 2.16. The market for theatre in the West End is buoyant and there are 241 professional theatre spaces with more than 110,000 seats accounting for more than 22 million sales annually (split evenly between commercial and not for profit sectors). Three out of ten of theatre attendances there are estimated to be by overseas visitors.
- 2.17. West End nights out are very costly, with audiences spending upwards of £300 for tickets, travel, food and drink which makes attendances there an exceptional event rather than a regular activity. By way of comparison, tickets for touring musicals cost an average of £33 at regional theatres.
- 2.18. In addition to a price advantage, modern local theatres offer better seats, FOH space and accessibility; low travel costs; are affordable for families; and good for local businesses. Audiences become habitual attenders, trusting the theatre's programming style
- 2.19. Despite high levels of attendances in the West End, the market for regional theatre remains very resilient and there is a great demand for West End productions on tour. Typically, successful West End shows undertake regional tours, firstly to metropolitan centres with large theatres such as Manchester, Birmingham and Glasgow and then to regional centres such as Canterbury, Norwich and Newcastle. For the purposes of this report, BK analysed the current touring pattern of a variety of West End shows, namely, *Jane Eyre*, *Curious Incident of the Dog in the Night Time*, *War Horse* (all National Theatre), *Mathilda* (RSC), *Shrek*, *Sister Act* and *Wicked* (all commercial productions). Each of these shows covered the network of

New Theatre for Tunbridge Wells – Business Plan

theatres in the national list of 40 receiving houses, including Norwich, Newcastle and Canterbury. Very successful shows tour the country more than once and attract repeat audiences.

What is the difference between fixed vs variable costs?

- 2.20. The way that the Council currently accounts for the Assembly Hall Theatre has developed over time to reflect the Council's own internal reporting requirements. These are not typical for theatre operations generally and do not, for example, make the fixed and variable costs immediately clear. Therefore, the accounts are presented in two ways in the report: one as per the current Council format; and one restructured into a more traditional theatre format. This identifies the variable and fixed costs.

Why is the Shellard Formula used for the economic impact assessment?

- 2.21. The Shellard Formula was developed for the Arts Council's use in 2004 and has become a standard tool for a simple approach to economic impact assessment. It is routinely used by the majority of UK theatres to demonstrate their local contributions to local authorities. More detailed assessments which identify the direct and indirect GVA (Gross Value Added) involve more in-depth research and consultation – for example, the 2016 economic impact assessment of the Edinburgh Festivals (estimated at £313 million in 2015) involved undertaking 29,000 audience surveys.
- 2.22. A recent example of such a study would be KPMG's economic assessment of Colston Hall which can be downloaded at <https://home.kpmg.com/uk/en/home/insights/2017/06/colston-hall-economic-impact-assessment.html>. The complexity of the more detailed approach is plain to see.
- 2.23. The Shellard Formula does not capture the finer points of economic impact assessment such as leakage (for example, do some staff live outside the area); displacement (for example, will the new theatre take money away from local cinemas) or deadweight (for example, would local spending have occurred anyway irrespective of new theatre). Given that the new theatre is not yet built, it would be impossible to survey its audience or, for example, to identify staff members home

New Theatre for Tunbridge Wells – Business Plan

locations. This measurement could be set up in advance of the opening to measure the more detailed impact from the beginning of operations.

2.24. The latest reported economic impact for the new Marlowe Theatre is £34 million.

Why we are conservative on the catering offer?

2.25. The independent report by Tricon consultants studied the potential F&B offer in the new theatre. The results are summarized in this report. The reality is that very few theatres make any net return from café / bar or restaurant facilities, which are typically viewed as audience facilities rather than profitable vehicles. Those that do, operate independent facilities which exist alongside venues but not because of them. Therefore, the F&B operation in the new theatre is projected to return a very small net profit. This is prudent at this point in the planning process.

2.26. However, strong net returns are enjoyed from the sales of drinks, sweets and ice creams (with the pantomime season being critical in this respect). This is also reflected in this report.

What is the preferred operating model and why?

2.27. As already noted, there is a variety of operating models for presenting theatres across the UK, including local authority, charitable trust and commercial management.

2.28. Tunbridge Wells Borough Council is making a considerable investment in its new theatre and will continue to take full responsibility for its operation. Currently, the Assembly Hall Theatre is under confident management and has time to grow and develop its operation towards the opening of the new theatre. Given the significance of its considerable investment in the new theatre, this approach gives the Council the opportunity to realise that value and to be able to assess accurately the ongoing costs of operation. It is planned that this will result in a subsidy free or near subsidy free as is achieved in other theatres at this scale.

2.29. Commercial operators would normally require a guaranteed subsidy for ten years when taking on a new theatre, keeping all of the returns. There would be no guarantees of community access unless written into a contract, for which there would be a further financial penalty.

New Theatre for Tunbridge Wells – Business Plan

Is inflation included in the financial projections?

- 2.30. Inflation, typically introduced as RPI (Retail Price Inflation) or CPI (Consumer Price Index), is not included in the forward financial projections in this report. RPI / CPI are calculated by a representative sample of retail goods and services which do not readily apply to the economic model of theatre operations. For example, following the 2008 recession, when inflation was prevalent, the theatre world was relatively untouched (much to its surprise). Inflationary pressures which do affect theatres are, for example, changes to union rates of pay (Equity, Musicians Union, BECTU), utility costs, show fees (producers profits). These are profiled as part of the sensitivity analysis of the financial projections as separate events which could have a future impact both separately and together.
- 2.31. Inflation is an operational matter and the business will respond in its pricing strategies to order to be responsive to it. The budget does not need to have inflation as a consideration as it will simply inflate all income and expenditure in the same proportion so the net impact is in reality zero.

Is Vat included in the financial projections?

- 2.32. The financial projections in this report are shown as VAT neutral because the Council is fully VAT registered and its effects are evened out on both sides of the equation. Some theatres have VAT cultural exemption which applies to admission charges (but not, for example, where the local authority acts as a ticket broker for a commercial promoter or has a profit/income sharing arrangement with that promoter for a qualifying performance).

Why are the launch costs so high?

- 2.33. The launch costs are shown in this report as being relatively high because, at this stage, there is not enough detail on the construction programme to know when the new theatre might open. For example, there will be a substantial difference between opening in September, December or June in terms of programming, likely audience attendances and financial returns. Similarly, the transition period between ceasing operations in the Assembly Hall Theatre and opening the new theatre will not be less than 3 months and could be as long as 6 months, based on experiences elsewhere and, again, the construction timetable. This takes into account the need to commission the new theatre (for example, plant, technical equipment, recruitment

New Theatre for Tunbridge Wells – Business Plan

and training of new staff) as well as necessary investment in upfront marketing and publicity to attract new audiences and to signal a change in programming policy and quality. Once a contractor is appointed and the construction programme is detailed, then these costs can be revised.

What will be the future subsidy requirements?

2.34. At this stage, some years away from completion, the business model is necessarily relatively cautious in the early years and the need for up front subsidy reflects this.

2.35. The income, expenditure and net subsidy requirements are profiled as follows:

| BUDGET | | Soft opening | | | | | | | |
|---------------------|-----------|--------------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Summary | 2021/22 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
| Income incl subsidy | 2,879,171 | 5,744,421 | 6,813,730 | 7,466,230 | 8,626,980 | 9,226,127 | 9,824,787 | 10,440,786 | 10,465,785 |
| Expenditure | 2,879,172 | 5,744,421 | 6,813,730 | 7,466,230 | 8,626,980 | 9,226,127 | 9,703,879 | 10,181,631 | 10,182,633 |
| | | | | | | | | | |
| Subsidy required | 245,948 | 1,182,077 | 626,942 | 405,442 | 79,192 | 17,339 | 0 | 0 | 0 |
| Net return | 0 | 0 | 0 | 0 | 0 | 0 | 120,908 | 259,155 | 283,152 |

2.36. As is noted later in this report, there are examples of trust and local authority operated theatres with 1200 seats that operate successfully without subsidy.

2.37. The average subsidy over the 8-year period profiled here would be some £205,000.

3. Future programming policy and positioning

- 3.1. The current Assembly Hall Theatre's programme consists primarily of one-night events (60-70% of the programme), with an annual pantomime and occasional weekly or part weekly runs. It also hosts several local non-professional companies for which it is an important venue. The overall structure of the AHT's programme includes a third being popular music or tribute bands, 20% being pantomime performances and a variety of genres making up the rest:
- This pattern is entirely due to the physical constraints of the current venue, rather than reflecting audience demand or programming aspirations.
- 3.2. The new theatre will join a wholly different section of the UK's theatre provision, namely theatres that can host a wide-ranging programme including touring musicals, opera and high-quality drama. There are some 38 theatres in this category (with capacities of between 1200 and 2300), ranging from trust managed, to local authority and commercial operations:
- There is a marked difference in the quality of programming in these theatres from smaller venues such as the AHT.
- 3.3. The programming models for a transition to a larger scale theatre are the Theatres Royal in Newcastle and Norwich and the new Marlowe Theatre in Canterbury (all around 1200 seats). It is important to note that, prior to redevelopment, with 1,000 seats, the Marlowe had been achieving 30% full capacity audiences for its programme, with a 70% capacity achieved annually overall – this represented some 275,000 pre-development annual attendances. This was due to the theatre's stage facilities which were the only part of the old theatre that was retained in the redevelopment. At predevelopment stage, the old Marlowe was receiving an annual subsidy of more than £600,000 including recharges and capital charges made against the theatre. It is only now able to achieve a subsidy free status some six years after re-opening, even given the advantages of its relatively high previous ticket sales in the old venue.
- 3.4. Post development, the new Marlowe Theatre further enhanced its programme of shows to include plays, major West End musicals, ballet, contemporary dance,

New Theatre for Tunbridge Wells – Business Plan

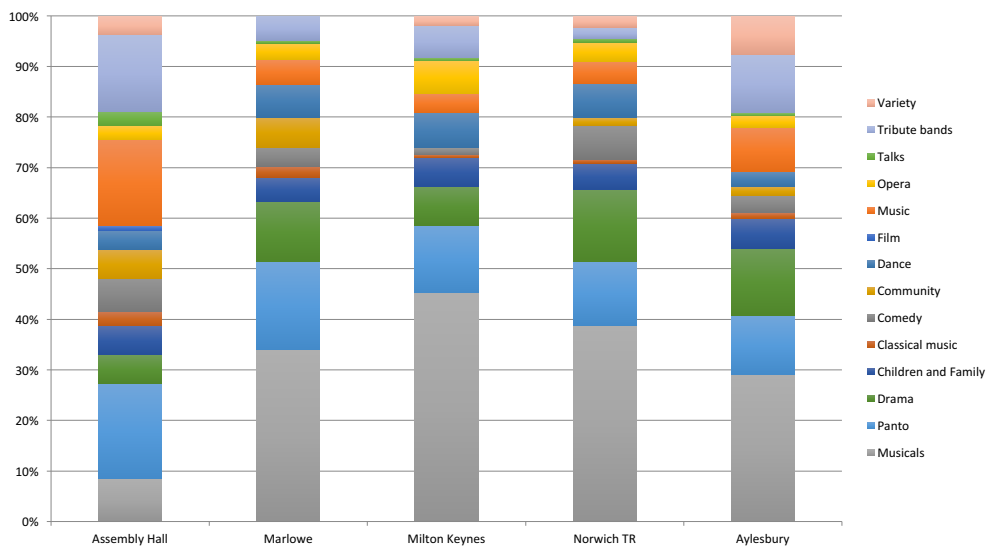
opera, stand-up comedy, orchestral concerts, music gigs and children's shows. Regular visiting companies include Glyndebourne Opera, National Theatre, RSC, Matthew Bourne, Propeller, Northern Ballet, Rambert Dance Company and Theatre Royal Bath:

- This is typical of other theatres operating nationally at this scale (and above);
- The New Marlowe has now started producing its own shows with support from Arts Council England and is approaching subsidy free status.

3.5. The new theatre in Tunbridge Wells can aspire to a similar programme with its new and modern facilities, both backstage and front of house.

3.6. Typical comparable theatres at 1200 seats make up almost 80% of their programme from musicals, pantomime and drama, whilst the current AHT programme is much more mixed, for example:

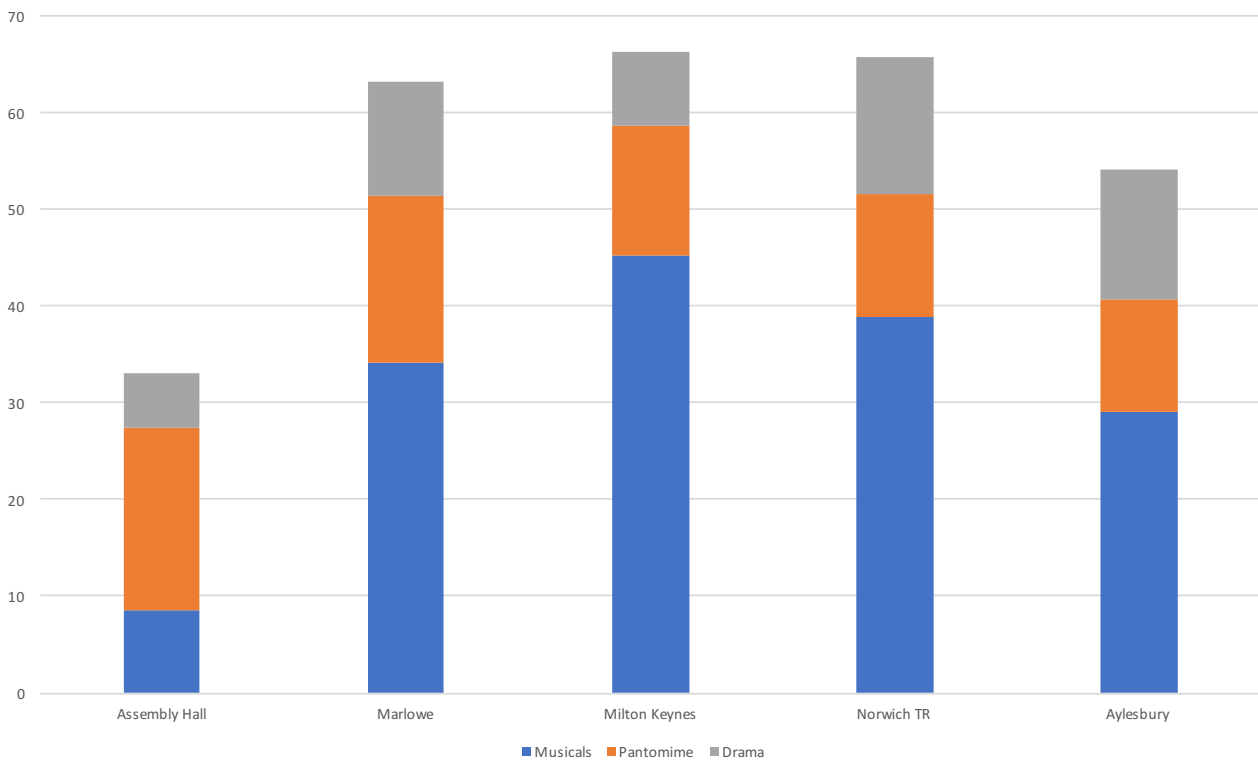
Programme mix comparisons



New Theatre for Tunbridge Wells – Business Plan

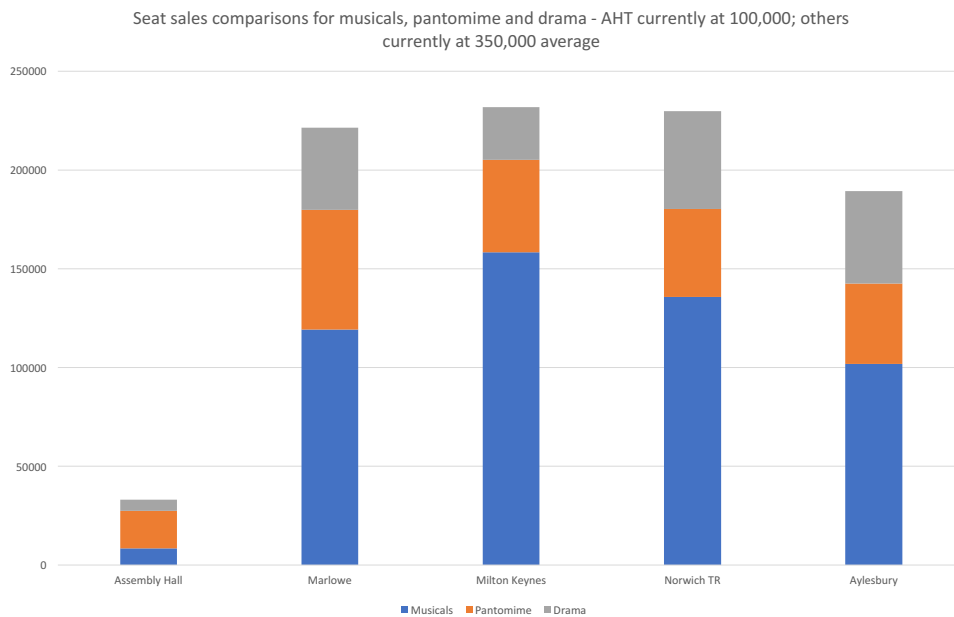
- 3.7. The structure of programming by the larger theatres reflects both audience demand and more rewarding financial returns.
- 3.8. A key difference from the current AHT operation will be in the balance of the programme from one night events into weekly runs. Currently, more than 65% of the AHT’s programme is one night events, compared to less than 15% for the Marlowe, 17% for the Milton Keynes Theatre and under 3% for Norwich Theatre Royal.
- 3.9. This translates into the structure of the programme, with the AHT only offering musicals, pantomime and drama as less than 35% of its programme, compared to some 60% elsewhere:

Programming breakdown by % for musicals, pantomime and drama



New Theatre for Tunbridge Wells – Business Plan

3.10. Comparing seat sales on the same basis, the difference is clear:



3.11. As well as restructuring and enhancing its programme, the new theatre in Tunbridge Wells will still retain access by local non-professional groups such as TWODS, TW Puppetry Festival, Royal TW Choral Society, TW Dance Festival and the Royal TW Symphony Orchestra.

3.12. Taking all of this into account the likely future structure of the programme will include:

New Theatre for Tunbridge Wells – Business Plan

| Programming models | | | | |
|---|---------------------|--------------------|--------------------------|---------------|
| Musicals | Performances | Attendances | Capacity achieved | Income |
| Assembly Hall Theatre | 15 | 6592 | 45% | £139,600 |
| New theatre target yr 5 | 175 | 150,000 | 83% | £4,800,000 |
| Norwich Theatre Royal | 129 | 140,048 | 83% | £4,816,401 |
| Target = 44% of all performances | | | | |
| Pantomime | Performances | Attendances | Capacity achieved | Income |
| Assembly Hall Theatre | 38 | 21,123 | 56% | £350,702 |
| New theatre target yr 5 | 58 | 57,420 | 87% | £947,430 |
| Norwich Theatre Royal | 58 | 66,002 | 87% | £1,072,237 |
| Target = 15% of all performances | | | | |
| <i>NB Theatre Royal Newcastle ticket sales for its pantomime are £1.8 million</i> | | | | |

- 3.13. This demonstrates some significant targets for the new theatre, particularly in the genre of musicals, even though it can be demonstrated that the product to fill the performance targets exists in the market (see next section).
- 3.14. The present theatre management is well aware of its programming constraints as a result of its current capacity and stage restraints. However, it needs to be noted that the programme in a 1200 seat venue will perforce need to be quite different from the current offering in order to be economically viable.
- 3.15. Despite the current constraints, the new business plan for the current AHT aims to build both quality and quantity in the programme and audience attendances in the period up to the new theatre's opening.
- 3.16. It will be important to monitor the outcomes of these plans and to modify this plan accordingly in terms of planning the transition from old to new venue.

4. Market position

- 4.1. The Assembly Hall Theatre has an existing brand and market position, which it is now seeking to build upon in the years leading towards the new theatre opening.
- 4.2. However, unlike the Marlowe Theatre, Canterbury, when that increased from 900 to 1200 seats and did not change its programming mix greatly, but improved upon quality, the new theatre in Tunbridge Wells will have a markedly different programme in quantity and quality from the current Assembly Hall Theatre offer:
- The new theatre will move from presenting a programme of primarily one night stands towards longer weekly runs with many more musicals and higher quality drama.

Competitive position

- 4.3. The new theatre will place Tunbridge Wells into a new competitive position, most notably in the South East in the same group as existing theatres in Eastbourne, Canterbury and also the West End (considering the easy access from Tunbridge Wells).
- 4.4. In order to test availability of important sections of the proposed programme of the new Tunbridge Wells theatre, BK tested several current shows against the UK theatres to which they toured in recent seasons. These were:

Drama

- *Jane Eyre* (National Theatre production);
- *The Curious Incident of the Dog in the Night-Time* (National Theatre production);
- *War Horse* (National Theatre production);

Musicals

- *Matilda* (RSC production);
- *Shrek The Musical* (Dreamwork Theatricals commercial production);

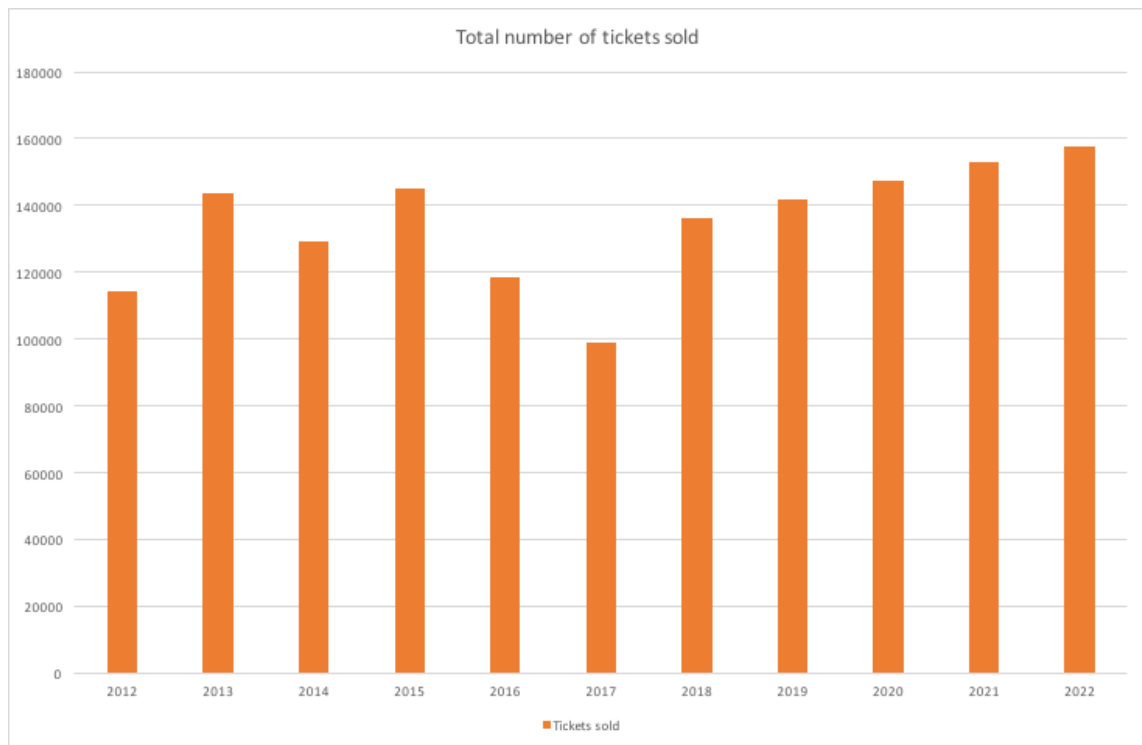
New Theatre for Tunbridge Wells – Business Plan

- *Sister Act* (Curve, Leicester production);
 - *Wicked* (Universal Stage Productions commercial production).
- 4.5. Of 21 independent theatres studied (i.e. those not commercially run), there were 55 weeks of touring by these shows. All of the theatres shared some of the programme. The ones that appeared the most over the period surveyed were *Jane Eyre* and *Curious Incident* (although it is known that all of the shows toured over a longer time frame to most of the theatres).
- 4.6. These shows also toured to 17 ATG (Ambassador Theatre Group) commercial theatres and 1 HQ commercial theatre. There was no discernible difference between the access to programming between the independent and the commercial sectors.
- 4.7. Overall, this demonstrates that the new theatre in Tunbridge Wells will have access to the same product as the rest of the market on the basis of when it becomes available:
- In terms of competition, it may be that certain shows would appear in different seasons between Canterbury, Eastbourne and Tunbridge Wells, but not that there should be any exclusivity around existing theatres;
 - Tunbridge Wells is likely to be in the group of theatres that receive second run tours (i.e. shows that have been around the UK once to the larger metropolitan cities), but that would be the same as for Canterbury and Eastbourne.

Growth of audiences

- 4.8. The total number of tickets sold by the Assembly Hall Theatre has fallen in recent years to less than 100,000 in 2016/17. This is partly because of fewer performances, with the average attendance per performance remaining more stable currently at 463 (from a high of 501 in 2012) and an average annual attendance over the past 6 years of 130,000.
- 4.9. The existing theatre's current business plan projects a planned growth of audiences to an average of 563 in 2022, or 157,746 annual sales.

New Theatre for Tunbridge Wells – Business Plan



- 4.10. The Assembly Hall Theatre is also planning price growth, building the Friends scheme, leading to incentives to get access to tickets at the new theatre.
- 4.11. This growth is very important in terms of the new theatre since the ultimate target for the new venue needs to be in the region of some 400,000 tickets sold to achieve a subsidy free status.
- 4.12. Given that the new theatre will have access to a much stronger and more varied programme, in principle, this can be done similar to other theatres at the 1200 scale – it should be just a matter of timescale.

New Theatre for Tunbridge Wells – Business Plan

- 4.13. BK's previous report *Feasibility Study and Options Analysis April 2016*, identified the opportunities in the market and where future demand might lie.¹
- 4.14. In the 2014 UK Theatre Venue Sales and Benchmarking Analysis Report, out of 36 theatres at above 1,000 seats in scale, 16 are run by ATG. This represents the largest commercial theatre operation in the UK. The other theatres are either independent trust or council run:
- On average, they all performed to a 60% annual capacity (but NB the comparator theatres chosen for the purposes of this plan – the Theatre Royals in Norwich and Newcastle – routinely achieve 70 - 73%);
 - The average ticket price achieved in 2014, was £28.71 (the Assembly Hall theatre currently achieves some £20);
 - 40% of performances were musicals, 15% plays, 15% pantomimes, with a wide variety of other genres in support;
 - Therefore, 70% of performances were of musicals, plays and pantomimes which then equated to 75% of ticket sales (the Assembly Hall Theatre is currently much more varied);
 - The average ticket price achieved for musicals was £38.59, with drama at £24.74 and pantomimes at £20.43.
- 4.15. This provides a firm, evidence based benchmark for the new theatre in Tunbridge Wells, but nonetheless the market challenges will be considerable:

| Current and future venues | AHT 16/17 | AHT 21/22 | Future lyric theatre | | | | | | | | |
|---|------------|------------|----------------------|------------|------------|------------|------------|------------|------------|------------|------|
| | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | |
| Capacity | 985 | 985 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 |
| Tickets sold | 103,139 | 157,746 | 200,000 | 250,000 | 275,000 | 350,000 | 350,000 | 375,000 | 400,000 | 400,000 | |
| Performances | 214 | 300 | 325 | 350 | 375 | 400 | 410 | 420 | 430 | 430 | |
| Average tickets per performance | 482 | 526 | 615 | 714 | 733 | 813 | 854 | 893 | 930 | 930 | |
| Average capacity achieved | 49 | 53 | 51% | 60% | 61% | 68% | 71% | 74% | 78% | 78% | |
| Total ticket sales | £1,443,946 | £2,034,923 | £4,000,000 | £5,250,000 | £6,050,000 | £7,475,000 | £8,050,000 | £8,625,000 | £9,200,000 | £9,200,000 | |
| Average ticket price paid (all tickets) | £14.00 | £12.90 | £20.00 | £21.00 | £22.00 | £23.00 | £23.00 | £23.00 | £23.00 | £23.00 | |

¹ The market research section from the previous report is added here as an appendix.

5. Transition planning

- 5.1. The transition to the new theatre may take different guises. In this plan, a soft opening is projected for Year 1, following on from the end of the Assembly Hall Theatre operation closing down. The actual transition may include up to three months with no activity whilst the new theatre is commissioned and the staff trained on the new facilities. Therefore, three months operating costs could be incurred with no income.
- 5.2. Although some of the new staff will be recruited during the opening period and not be at full cost, the largest part of the transition cost will be for maintaining and developing the staffing structure and skills. The commissioning of the new theatre is a critical period of normally three months, together with staff training for backstage and front of house operations.
- 5.3. As a pivotal point, the transition from the existing Assembly Hall Theatre to the new venue will be critical to achieve successfully and this will work on a number of different fronts, for example:
 - Publicly – keeping the loyalty of existing audiences and encouraging new attenders; offering a confident and efficient front of house service ensuring that the public's experience is first class from day one; immediately presenting a high quality programme to satisfy customers and to act as a benchmark for the future;
 - Behind the scenes – successfully commissioning the new theatre's plant and technical facilities; recruiting and training new staff as and when required; familiarising staff with the operation of the new theatre; managing new systems such as the box office; establishing a first class FOH offer, including catering; ensuring that the back stage team can service large-scale incoming shows from day one;
 - Timing of opening – depending upon when the new theatre is ready for occupation, the opening date will have a different impact dependent upon the time of year. For example, there will be a significant difference in programming

New Theatre for Tunbridge Wells – Business Plan

opportunities between opening in the summer, in the autumn, at Christmas or early in the new year.

- 5.4. Equally important will be not to be too ambitious in terms of programming continuity, and BK would strongly advise against trying to present any kind of interim programming between the closure of the old and opening of the new theatre:
- The time gap is likely to be only a few months;
 - Interim programmes divert the attention and energies of the management at a critical moment when they need to be concentrating upon opening the new theatre;
 - It is very difficult to deliver quality in an interim programme and interim venues are often not up to a high visitor experience which will count against the theatre's management;
 - For example, when working with the Marlowe before the new theatre opened, BK advised against an ambitious interim programme, advice which they did not take and then acknowledged they should have listened to.
- 5.5. The public can be unforgiving when new venues open, for example, the new Marlowe had some 400 complaints in the first months of opening because the timescale of the opening did not give enough time for the operation to plan, prepare and settle down.
- 5.6. In this respect, it may be advantageous for the new theatre in Tunbridge Wells to go for a "soft opening", inviting local groups to stage the first shows and asking the residents to come and help "get it right". That way the public would be encouraged to be involved and feedback would be likely to be more generous.
- 5.7. It is worth noting that TWODS were the first performers in the Assembly Hall Theatre in 1939. Local groups that could be involved in opening the new venue might be:
- TWODS;

New Theatre for Tunbridge Wells – Business Plan

- Royal Tunbridge Wells Symphony Orchestra;
 - Royal Tunbridge Wells Choral Society;
 - Royal Tunbridge Wells Dance Festival;
 - Tunbridge Wells Puppetry Festival;
 - Royal Tunbridge Wells Choral Society.
- 5.8. Realistically, the timing of the opening of the new theatre will not be known until the construction contract is let in 2018. At that point, it will be possible to plan more accurately for both the opening moment and ongoing seasons – in terms of programming, operations and finances.
- 5.9. It would still be prudent to plan for some delays in construction and leave some room for varying the final dates of opening until a year before construction is deemed to be complete.
- 5.10. For the purposes of this plan, a soft opening has been assumed and a partial opening year in terms of programming and operations. This will require revision once there is a clearer timetable:
- Depending upon the construction timetable, this could have a significant impact on the first year's budget;
 - Many new theatres budget for six months of overhead costs for a transition period, which in the case of the new theatre in Tunbridge Wells would amount to some £500,000;
 - This is reflected in the Year 1 Soft Opening figures of the budgeted calculated in this plan.
 - It will be important to monitor and refine this annually between now and the opening of the new theatre.

6. Management structures

Operating model

- 6.1. Other 1200 seat theatres across the UK have a variety of operating models, including commercial managements, independent trusts and local authority administrations.
- 6.2. The assumption of this report is that the new theatre in Tunbridge Wells will continue to be managed by the local authority. This reflects the significance of its considerable investment in the new theatre and gives the Council the opportunity to realise that value and to be able to assess accurately the ongoing costs of operation. It is hoped that this will result in a negative or near negative annual subsidy as is achieved in other theatres at this scale.

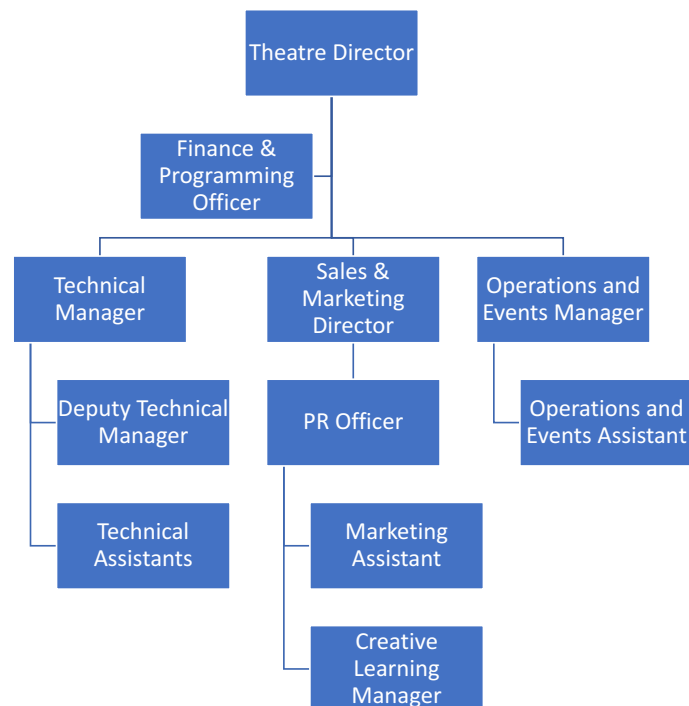
Management model

- 6.3. Similar to differences between the existing and new programme structure, scale and sales targets, there are marked differences between the scale of operational managements at 1000 and 1200 seat venues and above.
- 6.4. This is principally reflected in staffing numbers, with the larger theatres employing up to 100 staff, depending on how they deliver their catering operations (in house or franchised). The minimum level is typically 60 – 70 FTEs, including café/bar staff (catering staff are excluded in this section as they have been included in Tricon's report – see section 6).
- 6.5. There are some simple equations driving the larger staffing complements, which are due to an increase in the number of performances, for example, requiring a larger front of house staff (duty managers, ushers, F&B staff). Equally, more backstage performance staff will be required to service more technically complex week long runs and to allow for necessary shift work and holidays within a more intensive programme and increased sales staff to service higher demand:
 - Management structures remain largely similar;

New Theatre for Tunbridge Wells – Business Plan

- Some management services are likely to be delivered through the Council, as now.

6.6. The existing Assembly Hall Theatre management structure is relatively simple as follows:



6.7. The current business plan for the AHT includes growth in the staffing structure over the next five years, with posts added incrementally. This will begin to develop key skills and capabilities as the new theatre approaches. These include:

- Finance Manager

New Theatre for Tunbridge Wells – Business Plan

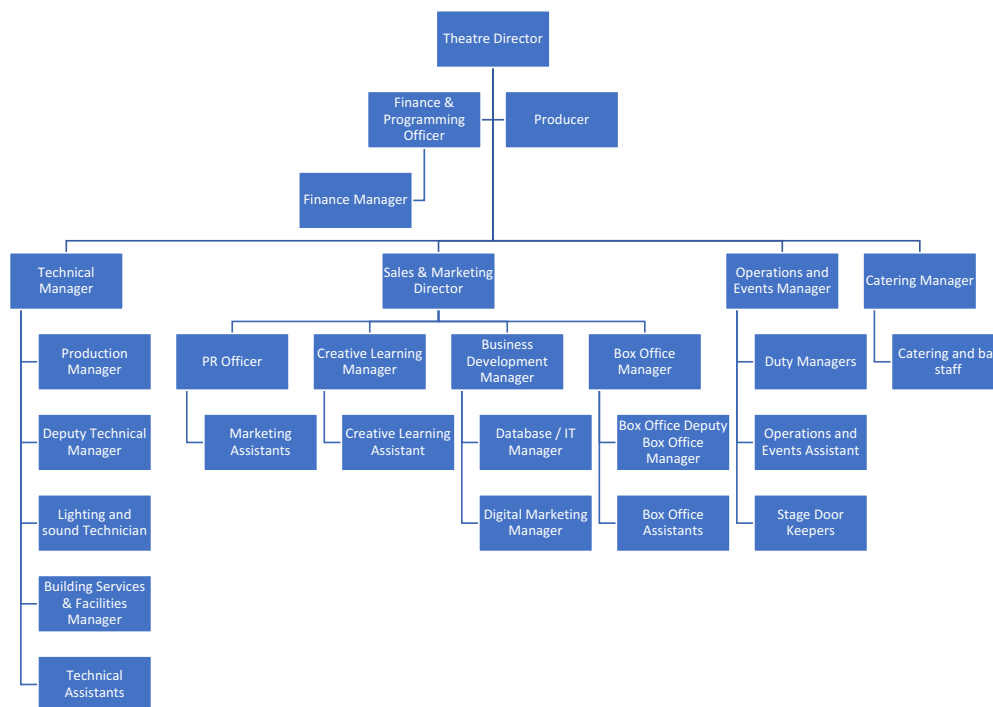
- Producer
- Production Manager / Deputy Technical Manager
- Creative Learning Assistant
- Marketing Apprentice and Assistants
- Duty Managers

6.8. For the new theatre, there will need to be other additions including:

- Finance Assistant
- General Manager
- Lighting and Sound Technician
- Building Services and Facilities Manager
- Business Development Manager
- Greater box office resources
- More Duty Managers and more ushers
- Stage door keepers

6.9. This will result in a more complex structure reflecting the new expertise required and greater numbers of staff overall:

New Theatre for Tunbridge Wells – Business Plan



6.10. For the purposes of this report, BK has used the Theatre Royal, Newcastle, as a model because it is a single auditorium venue with its own in-house catering operation:

- The Newcastle theatre is an independent trust, but its board is chaired by the local authority, with which it maintains very close ties;
- Its current staffing complement is some 48, excluding cleaning staff and café bar staff;
- Currently, the projection for the new theatre in Tunbridge Wells in early years is just over 41 staff on the same basis, rising to 46 by years 5 to 8;

New Theatre for Tunbridge Wells – Business Plan

- The early difference is largely due to the Newcastle TR having a group sales team and a bigger development department.
- 6.11. The total salary bill in Newcastle is £1.668 million (including NI, pensions, less contra payments to the theatre). The total future salary bill for Tunbridge Wells is currently projected to be £1.489 million (including on costs at 32% which reflects current levels in operation).

Governance and oversight

- 6.12. The new theatre will be a completely different model from the Assembly Hall Theatre. The Council has retained detailed and experienced knowledge of this venue and its operations built up over many years.
- 6.13. The new theatre will present new governance challenges and the Council may consider strengthening its methods and skills of oversight.
- 6.14. In this respect, the Theatre Royal Newcastle might be a helpful model in both governance and management terms.
- 6.15. BK would recommend study visits to both the Theatre Royal Newcastle and the Theatre Royal Norwich in order to gain insights into successful 1200 seat theatre operations.

New Theatre for Tunbridge Wells – Business Plan

7. Food & beverage

- 7.1. Catering is a challenging question in new or redeveloped theatre. It does not greatly impact greatly upon the current AHT operation because it lacks the facilities to deliver more than the simplest of offers.
- 7.2. Empirical evidence indicates that all new or redeveloped venues take some years to achieve a stable and profitable food and beverage operation. Whether the choice is made for an outsourced operation or for one delivered in house, the early years are typically challenging and often result in financial losses.
- It is also often true that the immediate nature of problem solving day to day F&B operational challenges is a big distraction at a point when the operational management is working hard to establish a new venue.
- 7.3. In any event, the reality is that net profits are only reliable from three sources:
- Drinks (alcoholic and non-alcoholic);
 - Confectionery;
 - Ice cream (particularly during the panto season).
- 7.4. Some theatres are very successful, for example, the recently redeveloped 1200 seat Chichester Festival Theatre (set in a park), has a thriving restaurant and FOH operation that delivers £100k per year net profit. Its restaurant is in a dedicated space and not part of any foyer area.
- 7.5. The equally well-established Norwich Theatre Royal (1200 seats) makes its net F&B income from the following sources:

| Norwich Theatre Royal F&B income | Net result |
|---|-------------------|
| Bars | £174,641 |
| Catering | £11,277 |
| Confectionery | £35,781 |
| Ices | £133,430 |

New Theatre for Tunbridge Wells – Business Plan

7.6. In contrast, the new Marlowe Theatre in Canterbury struggled with F&B losses in its early years, at best breaking even.

7.7. The F&B projections for the new Tunbridge Wells venue will therefore be cautious.

Tricon report

7.8. Foodservice consultants Tricon were commissioned by GVA Acuity to undertake a Foodservice Feasibility Study which was delivered in December 2016.²

7.9. The brief covered the whole of the redevelopment of the Calverley Grounds site, including a new theatre, civic building containing council and tenant office accommodation, and the development of Calverley Grounds amenities.

7.10. Sections of that detailed report are reproduced here.

7.11. Tricon reported that key factors and considerations that will have an influence on the foodservice strategy are that:

- Foodservice within the theatre should not detract from bar and ice cream sales, which will provide the highest sales level of profit contribution;
- The proposed performance programme, with significantly more musicals and plays and higher ticket prices, will also drive a change in the general profile and demographics of the audience, compared to current;
- Space availability will restrict scale of any foodservice operation and the proportion of the audience that can be realistically served prior to a performance;
- It will be difficult to open theatre catering to the general public in the evenings as foyer areas will be used by the audience and there will be security/access implications;
- There is a high level of external foodservice provision within a 5 minute walk of the new Civic Centre. There are over ten popular “branded” restaurants and bars

² TUNBRIDGE WELLS CIVIC CENTRE FOODSERVICE FEASIBILITY STUDY Draft issue 03 1ST December 2016

New Theatre for Tunbridge Wells – Business Plan

available for pre-theatre dining, many offering competitive early evening meal packages. However, the availability of quality, daytime cafés and coffee shops in the immediate vicinity is low;

- The spaces available for foodservice (Theatre and Civic Building) are in attractive locations, but passing footfall is relatively low and visibility/accessibility restricted;
- TWBC requires catering to be self-sufficient financially and not to be a drain on the Council's resources (cost and manpower);
- A low quality and unsuccessful foodservice operation is likely to detract from the overall perception of both the theatre and the overall development.

7.12. Alternative foodservice options were considered including a coffee bar; café / deli; café / bar; and restaurant operation. The management options considered in support of these operations were in-house management; contracted management; and a commercial operator. These options were underpinned by a number of assumptions that applied to all four options.

7.13. Given all Tricon's research and consultations, their recommended option was:

- Theatre provides an all day café/deli and evening cafe bar service – operated in-house;
- Civic Building ground floor space designated for non-foodservice use;
- All foodservice activity is focussed on the Theatre.

7.14. This option is underpinned by a number of assumptions:

- The theatre bar and catering services will in all cases be managed by the theatre's in-house team. To split the services would be both financially and operationally unviable;
- The café operation in the Park Café will cease on termination of existing agreement in December 2017 (*NB it is now the case that there is no intention to close the café*);

New Theatre for Tunbridge Wells – Business Plan

- Park catering, including refreshment kiosk for playground and temporary seasonal “pop up” and mobile services will be operated by the theatre catering department (or whichever party is delivering the theatre food and beverage operation);
- Catering for park events will continue to be organised and let by the Council using third party caterers as required.

7.15. However, in reaching these conclusions Tricon have a number of caveats:

- The Theatre should be cautious about trying to deliver too extensive an all-day offer initially. It is arguably better to focus on the Theatre audiences first and optimise the services to this market before committing to opening up to the wider public. There is a strong risk of loss of reputation if the Theatre opens an all day café service, only to then decide to close it down if it isn't commercially viable;
- If the Civic Building space is let for retail or other non-foodservice use and the Theatre ultimately decides not to open the café all day, there will be no foodservice provision for the wider public in the new development. Therefore, the Council should retain the flexibility to convert some or all of the space in the Civic Building for foodservice use; even it is not designated as such initially;
- The interior design and fit out of the café/bar areas in the Theatre will need to carefully consider the different requirements of the day time and theatre audience markets. For example, furniture that is appropriate for a day time café deli may need to be cleared to enable the café area to be used as a bar supporting theatre performances.

7.16. Tricon's financial and operational conclusions of the report were as follows:

- Overall, that the most appropriate foodservice provision to match potential demand from target user groups is a flexible style of operation that is able to vary the menu offer, style of service and general perception as follows:
- Daytime weekdays - Café/Deli
- Evenings pre-performance – Café Bar

New Theatre for Tunbridge Wells – Business Plan

- Weekends – Café Bar

- 7.17. There is no reason why this cannot be achieved operationally through careful and innovative planning of the service counters and equipment.
- 7.18. The most challenging aspect will be the interior design of the foodservice area, which will need to provide an appropriate bar and dining environment in the evening but with a warmer and more relaxing café style environment during the day, with soft seating and other furnishing appropriate for informal working and social interaction.
- 7.19. Based on the above research, consultation and modelling, the suggested financial outcome was as follows:

| All day café deli & evening café bar operation | | | | | | |
|--|------------------|-----------------|-----------------|------------------|-----------------|-----------------|
| | Daily covers | | | Average spend | | |
| | Low | Medium | High | Low | Medium | High |
| Daytime | | | | | | |
| Average daily covers | 100 | 130 | 60 | 130 | 130 | 130 |
| Average spend (inc VAT) | £5.25 | £5.19 | £5.16 | £4.50 | £5.19 | £5.88 |
| Sales | £157,500 | £202,500 | £247,500 | £175,500 | £202,500 | £229,500 |
| Evening | | | | | | |
| Average daily covers | 50 | 65 | 80 | 65 | 65 | 65 |
| Average spend (inc VAT) | £15.00 | £15.00 | £15.00 | £12.00 | £15.00 | £18.00 |
| Sales | £173,611 | £225,694 | £277,776 | £180,556 | £225,694 | £270,833 |
| Sales | £331,111 | £428,194 | £525,276 | £356,056 | £428,194 | £500,333 |
| Net operating profit / loss | (£33,449) | £15,444 | £68,221 | (£23,557) | £15,444 | £54,446 |
| | -10.10% | 3.60% | 13% | -6.60% | 3.60% | 10.90% |

- 7.20. Therefore, the calculations for catering included in this report are for an all-day café deli and evening café bar operation, with a projected net profit of £15,444.
- 7.21. The Tricon report did not consider bar, confectionary or ice cream sales. Therefore, the assumption for those sales in this report is based upon current operations and

New Theatre for Tunbridge Wells – Business Plan

financial results at the AHT, less 20% to take account of sales that might go through the café / bar operation.

- 7.22. It still returns a relatively high net profit, but taking into account the potential for sales to Council offices (probably on a daytime discount basis) and daytime public users, these should be achievable.

| Café bar, bars, confectionery and ice cream sales | | |
|---|-----------------|---|
| | Attendances | Notes |
| Current AHT projections | 157,746 | For 2021/22 |
| Net return per attendance | £1.25 | |
| Net return in current budget | £196,979 | |
| | | |
| New theatre year 7/8 | 400,000 | |
| Net return per attendance | 0.8 | |
| Net return in forward budget | £256,000 | Discounted by 20% for sales in café operation |
| Net return including Tricon | £271,444 | |
| | | |
| Comparator Norwich TR nets £348,852 on 400,000 attendances plus £11,277 on catering | | |

- 7.23. In keeping with the projected timescale for achieving attendances of 400,000 and a full economic return, the F&B operation will also reflect a growing business over a longer period.

8. Financial model

Assumptions

8.1. The key assumptions for the new theatre are that:

- Overall, by Year 7 or 8 of opening it will achieve financial results similar to those of the Theatres Royal in Newcastle and Norwich which have made consistent surpluses in recent years (1200 – 1300 theatres with in house catering operations and no studio theatre or other spaces for hire);
- The new Tunbridge Wells theatre will have a soft opening in Year 1, although a longer dedicated transition period may be required and can be planned once the construction timetable is known (after the contract is let in 2018);
- Effectively, some £500k is built into the Year 1 budget for soft opening costs;
- The theatre will build up to its full potential by Years 7 and 8;
- Performances will increase over that period from 300 (projected in 2021/22 - the final year of the Assembly Hall Theatre) to 400 in Year 4/5 of the new theatre;
- Attendances will build over the same period from 157,746 to some 350,000 in Year 5, rising to 400,000 by Year 7 & 8;
- The average ticket price will rise to £24 in Year 4, commensurate with other theatres;
- The balance of the programme will include up to 40/45% musicals, 15% pantomime and 15% high quality drama;
- It is noted that for lyric theatre performances (musicals, opera and dance), the capacity of the theatre will be reduced by 100 seats, but the expectation is that these performances will play to higher capacities, so the overall capacity target of 73% is unchanged (based on the models of other similar theatres);
- Tickets sales will rise from some £2 million in 2021/22 to £9.2 million in Year 7/8;

New Theatre for Tunbridge Wells – Business Plan

- Direct marketing costs are based upon £1.50 per ticket sold;
 - The key costs of overheads in the new theatre have been assessed using an RICS model, which will require updating regularly as detailed planning of the venue progresses;
 - The staffing structure of the new theatre is based upon the model of the Theatre Royal, Newcastle, which is a single venue with an in house catering operation;
 - On costs are calculated at 32% in line with current operations;
 - The new theatre FOH operation will include multi-functional staff who may deliver box office, performance support or bar services;
 - In line with other theatre models, there is greater income shown in recoverable charges and recharges to visiting companies;
 - The F&B income is based upon Tricon's report and results which continue in line with the current Assembly Hall Theatre FOH operation, partially discounted for increased volume of attendances (i.e. the proportion of sales is likely to drop);
 - It is assumed that there will be fewer theatre lettings due to increased performance activity promoted by the theatre itself;
 - The same level of Creative Learning is assumed;
 - An annual contingency of £100K is recommended;
 - For the purposes of this report, all figures are net of VAT and at today's prices.
- 8.2. On this basis, the new theatre will make an initial loss in Year 1 rising to a net gain by Year 6 if attendance and income targets are achieved. The average subsidy over the 8 year period would be some £206k.
- 8.3. The current AHT budget leading to the new theatre is projected as follows:

New Theatre for Tunbridge Wells – Business Plan

| Current theatre | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Overall return | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Overall return | 202,592 | 197,895 | 203,122 | 197,646 | 191,468 |
| Creative Learning | 47,438 | 52,452 | 49,952 | 51,466 | 54,480 |
| Revised total return | 250,030 | 250,347 | 253,073 | 249,112 | 245,948 |

8.4. The new theatre's budget projected here is:

| New theatre | Soft opening | | | | | | | |
|-----------------------------|---------------------|----------------|----------------|---------------|---------------|-----------------|-----------------|-----------------|
| Overall return | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
| Overall return | 1,127,077 | 571,942 | 350,442 | 24,192 | -37,661 | -175,908 | -314,155 | -338,152 |
| Creative Learning | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 |
| Revised total return | 1,182,077 | 626,942 | 405,442 | 79,192 | 17,339 | -120,908 | -259,155 | -283,152 |

Economic impact

8.5. The economic impact of theatres in the UK is much discussed and advertised, albeit that there are no nationally agreed methods for calculating the outcomes.

8.6. The Arts Council commissioned a format that was developed by Professor Dominic Shellard of the University of Sheffield in 2004. The Shellard formula is the most widely used methodology in the industry to calculate potential economic benefit of theatres and includes:

- Turnover generated by the theatre including ticket sales, sponsorship, grants, donations, programme and refreshment sales, merchandise and catering sales;
- Additional spending by theatre audiences (estimating transport costs, food bought outside the theatre, necessary childcare costs);
- Expenditure on staff (including actors and creative teams, permanent and freelance staff) and goods and services;
- Subsistence allowances for visiting staff and company members generating income for local landlords and hoteliers;
- A multiplier of 1.5.

New Theatre for Tunbridge Wells – Business Plan

8.7. Using the Shellard methodology, the new theatre's future economic impact would be calculated as:

| Economic impact | | |
|--|--------------------|---|
| New Theatre Year 8 | | |
| Income from ticket sales | £9,200,000 | Net of VAT |
| Booking fees | £400,000 | Booking fees @ £1 per ticket |
| Overseas earnings | £0 | None assumed |
| Additional visitor spend | £751,000 | Based on all F&B sales |
| Salaries | £1,681,361 | |
| Subsistence allowances & local spend by visiting companies | £1,725,000 | For visiting artists, assumed at 25% of performance fees |
| Goods & services expenditure, including recharges | £1,000,000 | |
| <i>Total before multiplier</i> | £14,757,361 | Multiplier @ 1.5, which takes into account knock on effect to local economy |
| Total economic impact | £22,136,042 | |

8.8. Other theatres which use the Shellard formula report as follows:

- The Hippodrome in Birmingham (1800 seats) is estimated to have an economic impact of over £45 million;
- The Lowry Centre in Salford (1730 and 430 seats) an economic impact of £29 million per annum;
- The Theatre Royal Norwich (1200 seats) an economic impact of £28 million;
- The new Marlowe Theatre in Canterbury (1200 seats) an economic impact of £34 million;
- The Grand Theatre Blackpool (1000 seats) an economic impact of £12 million.

New Theatre for Tunbridge Wells – Business Plan

A: Financial tables

New Theatre for Tunbridge Wells – Business Plan

B: Summary of market statistics from 2014

TGI - Leisure

Arts attendance

| Attended in past 12 months (adults 15+) | TN1 1RS - 60 minute drive | | England | | Index |
|---|---------------------------|------|------------|------|-------|
| | Count | % | Count | % | |
| Art galleries | 1,381,688 | 31% | 12,151,852 | 27% | 114 |
| Art gallery once a month or more | 62,064 | 1% | 563,409 | 1% | 111 |
| Ballet | 548,532 | 12% | 4,404,667 | 10% | 125 |
| Classical concerts | 730,544 | 16% | 6,149,406 | 14% | 119 |
| Contemporary dance | 339,911 | 8% | 3,113,704 | 7% | 110 |
| Jazz concerts | 427,070 | 10% | 3,748,445 | 8% | 114 |
| Opera | 485,184 | 11% | 3,879,395 | 9% | 125 |
| Plays | 1,669,746 | 37% | 14,555,651 | 33% | 115 |
| Popular/rock concert | 1,817,532 | 41% | 17,801,735 | 40% | 102 |
| Theatre | 2,417,134 | 54% | 21,662,538 | 48% | 112 |
| Theatre once a month or more | 127,524 | 3% | 1,092,781 | 2% | 117 |
| Adults 15+ estimate 2014 | 4,452,695 | 100% | 44,679,588 | 100% | 100 |

Museums and heritage attendance

| Visited in past 12 months (adults 15+) | TN1 1RS - 60 minute drive | | England | | Index |
|--|---------------------------|------|------------|------|-------|
| | Count | % | Count | % | |
| Museums | 1,472,868 | 33% | 13,212,159 | 30% | 112 |
| Archaeological sites | 353,098 | 8% | 3,199,792 | 7% | 111 |
| Stately homes/castles | 1,095,671 | 25% | 9,638,623 | 22% | 114 |
| Adults 15+ estimate 2014 | 4,452,695 | 100% | 44,679,588 | 100% | 100 |

Cinema visits

| Cinema attendance (adults 15+) | TN1 1RS - 60 minute drive | | England | | Index |
|--------------------------------|---------------------------|------|------------|------|-------|
| | Count | % | Count | % | |
| Ever go to the cinema | 3,553,473 | 80% | 33,722,019 | 75% | 106 |
| Go every two or three months | 719,897 | 16% | 6,328,964 | 14% | 114 |
| Go once or more a month | 669,179 | 15% | 6,235,883 | 14% | 108 |
| Never go | 899,221 | 20% | 10,957,569 | 25% | 82 |
| Adults 15+ estimate 2014 | 4,452,695 | 100% | 44,679,588 | 100% | 100 |

Note: TGI data is modelled from survey data to postcode sector level so it should be used as a broad indication of behaviour in these areas only

2015 Experian Ltd

2015 Experian Ltd, BMRB 2015

2015 Experian Ltd, Source: 2011 Census Data: England and Wales - ONS, Scotland - NIS, N Ireland - NISRA. Licensed under the Open Government Licence v2.0. Crown Copyright

| Total without Creative Learning | | | | | | 1,127,077 | 571,942 | 350,442 | 24,192 | -37,661 | -175,908 | -314,155 | -338,152 | |
|---|----------------|----------------|----------------|----------------|----------------|---------------------|----------------|----------------|---------------|----------------|-----------------|-----------------|-----------------|---|
| | 159,652 | 153,935 | 158,174 | 151,679 | 144,453 | -1,000,000 | 177,147 | -22,853 | -379,103 | -409,456 | | | | |
| By department | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Notes |
| C90 Management | 317,812 | 325,342 | 375,459 | 387,731 | 397,797 | 920,104 | 920,104 | 920,104 | 920,104 | 920,104 | 920,104 | 920,104 | 920,104 | |
| C91 Technical Operations | 389,010 | 442,603 | 451,125 | 462,009 | 488,271 | 339,209 | 339,209 | 339,209 | 339,209 | 430,638 | 430,638 | 430,638 | 430,638 | |
| C92 Marketing & Sales | 124,990 | 141,693 | 174,053 | 210,372 | 221,117 | 961,375 | 841,184 | 828,684 | 878,684 | 898,152 | 915,652 | 933,152 | 908,152 | |
| C94 Agency Services | -88,000 | -96,800 | -106,480 | -117,128 | -128,841 | -135,000 | -140,000 | -145,000 | -160,000 | -175,000 | -180,000 | -190,000 | -200,000 | |
| C95 Council Shows | -419,610 | -480,964 | -547,345 | -592,821 | -623,815 | -1,065,500 | -1,456,000 | -1,651,000 | -2,001,250 | -2,139,000 | -2,279,749 | -2,420,498 | -2,420,497 | |
| C96 Hire Shows | -140,760 | -147,818 | -155,229 | -163,012 | -171,503 | -105,500 | -105,500 | -105,500 | -94,500 | -98,500 | -92,500 | -81,500 | -70,500 | |
| C97 Front of House | 19,150 | 13,839 | 11,541 | 10,494 | 8,443 | 212,389 | 172,945 | 163,945 | 141,945 | 125,945 | 109,947 | 93,949 | 93,951 | |
| Total, no Creative Learning | 202,592 | 197,895 | 203,122 | 197,646 | 191,468 | 1,127,077 | 571,942 | 350,442 | 24,192 | -37,661 | -175,908 | -314,155 | -338,152 | |
| Creative Learning | 47,438 | 52,452 | 49,952 | 51,466 | 54,480 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,001 | 55,002 | 55,003 | Assume continues current pattern |
| Total with Creative Learning | 250,030 | 250,347 | 253,074 | 249,112 | 245,949 | 1,182,077 | 626,942 | 405,442 | 79,192 | 17,339 | -120,907 | -259,153 | -283,149 | |
| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | Soft opening | | | | | | | | |
| Net return on programme | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | | | | Notes |
| Gross income (tickets, fees, recharges) | 1,770,940 | 1,837,063 | 1,908,767 | 1,982,146 | 2,040,819 | 4,000,000 | 5,250,000 | 6,050,000 | 7,475,000 | 8,050,000 | 8,625,000 | 9,200,000 | 9,200,000 | Tickets only in new theatre |
| Show fees paid | 1,176,720 | 1,176,720 | 1,176,720 | 1,200,254 | 1,224,259 | 3,000,000 | 3,937,500 | 4,537,500 | 5,606,250 | 6,037,500 | 6,468,750 | 6,900,000 | 6,900,000 | |
| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | Soft opening | | | | | | | | |
| Net return on programme | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Notes |
| Net return | 594,220 | 660,343 | 732,047 | 781,892 | 816,559 | 1,000,000 | 1,312,500 | 1,512,500 | 1,868,750 | 2,012,500 | 2,156,250 | 2,300,000 | 2,300,000 | |
| % | 34 | 36 | 38 | 39 | 40 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | Net return reduced as musicals more expensive |
| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | Soft opening | | | | | | | | |
| Overall return | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Notes |
| Overall return | 202,592 | 197,895 | 203,122 | 197,646 | 191,468 | 1,127,077 | 571,942 | 350,442 | 24,192 | -37,661 | -175,908 | -314,155 | -338,152 | |
| Creative Learning | 47,438 | 52,452 | 49,952 | 51,466 | 54,480 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | |
| Revised total return | 250,030 | 250,347 | 253,073 | 249,112 | 245,948 | 1,182,077 | 626,942 | 405,442 | 79,192 | 17,339 | -120,908 | -259,155 | -283,152 | |

Notes

Suggest 100k contingency should be maintained in years 0 to 3
 No inflation or wage increases applied
 Assumed here soft opening Year 1, effectively with 500k pre full opening costs

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Consolidated Business Case

1.0 Introduction

This updated and consolidated business case needs to be considered in conjunction with the detailed RIBA Stage 3 reports and the previous reports to Full Council on the Assembly Hall Theatre, office accommodation and RIBA Stage 1 and 2 reports and decisions.

2.0 Background: Business Problem

The Council has occupied the current Town Hall Building since 1941. Towards the end of the last century and over the last few decades the Council has examined the redevelopment of the Town Hall and adjacent sites due to the increasing obsolescence of the current facilities. In 2014 the Council established its high level business case. The main issues with the Town Hall being the maintenance backlog, energy efficiency and the inaccessible and inflexible nature of the office accommodation which was identified in the Troup Bywaters & Anders report of August 2013. Faithful & Gould (2014) were asked to estimate the costs to modernise to a basic specification the Town Hall and this was identified as £10,550,240 (as at 2014) to meet the refurbishment (£8.2m) costs as well as the basic costs of keeping the doors open (£2m).

The wider context of the Assembly Hall Theatre Mandate is an important consideration. In October 2014, Cabinet considered a report on the Assembly Hall Theatre. It noted that after 75 years the theatre was beginning to show its age and that its dated facilities, lack of space and overall condition resulted in difficulties in managing the day-to-day operations of staging its existing programme, difficulties in attracting West End productions and that customers were not getting the level of experience they expected. At that time Cabinet approved spend of £1.478 million to address health and safety concerns and keep the doors open but, recognising the financial and operational challenges of either maintaining or upgrading the existing theatre, authorised work to explore the potential of delivering a new enhanced theatre. The report noted that the cost of providing a new theatre or updating the Assembly Hall Theatre could not be met from reserves.

3.0 Background: Council Finance and Structures

Since 2006 the Council has been refining its processes and focussing its services. The Council is a partner in 'Mid Kent Services' working closely with Swale and Maidstone on a range of joint services. This approach has enabled synergies and cost savings to be achieved whilst developing better resilience across the three authorities. As a result staff numbers have reduced by 25 per cent to 235 staff based in the Town Hall. However the cellular and physical structure of the building remains the same so the potential space savings have not been able to be delivered and further prevents the Council from making gains through modern methods of working and better agility. The structure of the building also mitigates against an increasing need to work cross-departmentally.

Linked to this is the loss of Revenue Support Grant. By 2015 grant from central Government had already been cut by 50 per cent (with an expectation at the time that it would be reduced by a further 40 per cent) resulting in almost no Revenue Support Grant to help fund local services. Government grant has fallen from £4.6 million in 2010/11 to £0 in 2018/19. With the future remaining uncertain, we need to ensure the Council can be self-sustaining. Therefore the ability to raise income locally and our ability to utilise reserves strategically and turn assets into revenue income streams to enable financial self-sufficiency is a key requirement. This has been recognised in our medium-term strategies and is supported by public consultation exercises.

For some time, Central Government has been concerned about the lack of incentive and reward for local authorities to ‘place shape’ and grow their local economies. Accordingly, it has taken some initial steps to enable local areas to retain their business rate growth. Admittedly this is only over a threshold and at present at 50 per cent of the additional benefit; however, it does develop a financial link between the local authority and its local economy and acts as an incentive to focus on the growth of the local economy.

The future of local government remains uncertain and change is a constant. Modern office accommodation would provide the Council with greater flexibility to meet these challenges even to the extent that should local government be reformed and TWBC incorporated into a larger authority, the space could easily be adopted for use by modern businesses.

4.0 Background: Council Strategies

The Council agreed a Five Year Plan in 2014 setting out its objective to “enable the borough to have a more prosperous, green and confident future”. It set out its mission statement as “an enabler of change – encouraging economic growth and investment into the borough whilst ensuring appropriate infrastructure is in place to support growth and enhance the quality of life. Highlighted in the Plan are the delivery of new office space on Mount Pleasant Avenue (paragraph 5.1.7 on page 5) and the commitment to delivering a theatre that meets modern standards (paragraph 5.1.4 on page 22).

Following significant progress on a range of projects set out in the 2014 Plan, a revised 5 Year Plan (2017-2022) was adopted by Full Council on 27 September 2017. The Plan refreshed its vision “to encourage investment and sustainable growth and to enhance quality of life for all” and reaffirms the Council’s commitment to see Royal Tunbridge Wells continue to be the cultural capital of the Kent and Sussex Weald, with theatres, galleries and alternative venues and music festivals to suit all tastes. It highlights the need to invest to create the best opportunities for efficiency and additional income. The 5 year plan confirms the Council’s desire to attract more business to the borough of Tunbridge Wells with a number of the areas of change providing the opportunity for the growth in modern office accommodation. It sets out the exploration of a new theatre, civic centre and car park as three of its eight key priorities.

The Council’s Cultural Strategy also sets out an ambition “to grow our role as the cultural centre of the Kent and Sussex High Weald, so that by 2024 the Borough of Tunbridge Wells is nationally recognised for its vibrant cultural provision.

5.0 Background: Planning Position

The Mount Pleasant Avenue car park site had already been identified as a potential development site in the Council’s site allocations documents being prepared in support of the Core Strategy. A number of uses were being initially identified of which office use was one. The Mount Pleasant Avenue Car Park site is therefore allocated for development in the Site Allocations DPD (Policy AL/RTW21). This site, as shown on the Royal Tunbridge Wells & Southborough Proposals Map, is allocated for office employment uses providing approximately 3,200sqm (gross) floor space. The preferred use is office (B1(a)) or financial and professional services (A2).

6.0 Background: Office accommodation in Royal Tunbridge Wells

In July 2016 GVA completed a review of the office market in Royal Tunbridge Wells as part of the Stage 1 work undertaken for the Civic Development. This reaffirmed the position. It

identified the 'prime' office core for Royal Tunbridge Wells as the Mount Ephraim Conservation Area at the top of the town and close to the Royal Victoria Place Shopping Centre. The report highlighted that over the years these Regency buildings had been refurbished (and in some cases rebuilt) behind retained façades, and provided offices for many of the town's professional services occupiers. In common with many regional centres, following the global recession in 2001, and the financial crisis in 2007/2008, there has been no new office development in the town until very recently.

The report also highlighted the impact of the Permitted Development legislation which allowed the change of redundant office buildings to residential use without the need for planning consent. Initially this was intended to be a temporary measure expiring in May 2016, but it has since been extended indefinitely under the General Permitted Development Order 2016.

The Council had also jointly commissioned work with Sevenoaks District Council to consider the economic needs of the two areas. While wider than just the need for B1 office space this review also highlighted the loss of office space. The Sevenoaks and Tunbridge Wells Economic Needs Study Final Report for Tunbridge Wells Borough was published in August 2016.

The report recognised that the total supply in the local market area had dramatically fallen with less than 9,300m² (100,000ft²) currently available, representing less than two years supply at historic take-up levels. Availability has fallen following a number of recent lettings and the ongoing impact of change in Permitted Development Rights allowing conversion of offices to residential use. These factors have led to a fall of approximately 50 per cent in supply since 2011. It is anticipated that this will serve to further inflate rental values as availability falls further.

The consultants (Colliers International and Turley Economics) highlighted that the borough has a shortfall of land – equivalent to around 12.3ha - to accommodate future B Use Class development over the period to 2033/35. Given the constrained land supply position the majority of this requirement will need to be met through new allocations, with priority given to allocating sites with the potential for delivery in the early years of the plan period.

This position is reaffirmed in the Marketing Report prepared by GVA as part of Stage 3 where, as a result of Permitted Development Rights and very little recent new development, current office availability in the town centre is very low at around 14,000ft², and all in small suites of less than 5,000ft². With the severe lack of office supply likely to continue for some time, now is a compelling time to deliver new stock into the marketplace, particularly as Tunbridge Wells remains a popular office location for large corporate organisations.

The report concluded that the lack of office space in Royal Tunbridge Wells is anticipated to have a further positive impact on rental growth in the Town. With a further 20,000ft² of offices are to be lost to Permitted Development (Brooke House and Seymour House in Mount Ephraim Road and formerly occupied by Cripps Harries Hall).

GVA are confident that if proposed were the Scheme was available at the time of writing this report, the proposed rentals would be achievable. Indeed if it was necessary to split floors, then the Suites overlooking Calverley Grounds would be likely to achieve a premium. GVA also concluded that it was unlikely that the proposed office space would be pre-let for reasons they set out within their report, but, if the building was under construction, the space would let prior to completion.

7.0 Risks

The Council has looked to address a number of risks: In terms of its assets, as set out above, both the Assembly Hall and the Town Hall are approaching the end of their usable lives without significant investment and, after 75 years, are no longer fit for modern-day purposes. In terms of its place-shaping responsibilities, the Council also faces the continued risk of losing office accommodation (to permitted development rights) and to losing catchment to other centres that are investing in their cultural and leisure offer. Details of these risks are set out below:

Town Hall

The October 2014 highlighted that an examination of the fabric of the Town Hall had demonstrated that it no longer met modern environmental requirements and by 2018 would have to meet the demands of the Energy Act 2011. The Faithful and Gould report was highlighted in the Cabinet report. Since these reports were produced, the Council has already had to spend money in maintaining the building (including replacement boiler plant at a cost of £300,000). It is likely in the next few years that the Council will need to spend nearly £2m just to keep the doors of the Town Hall open and ensure the minimum level of compliance to legislation. This will include major decisions on the heating distribution system, replacement windows and the continuing requirement for a standby generator. This is in addition to the ongoing maintenance and running costs of a building designed and built over 70 years ago. It will not address the accessibility issues.

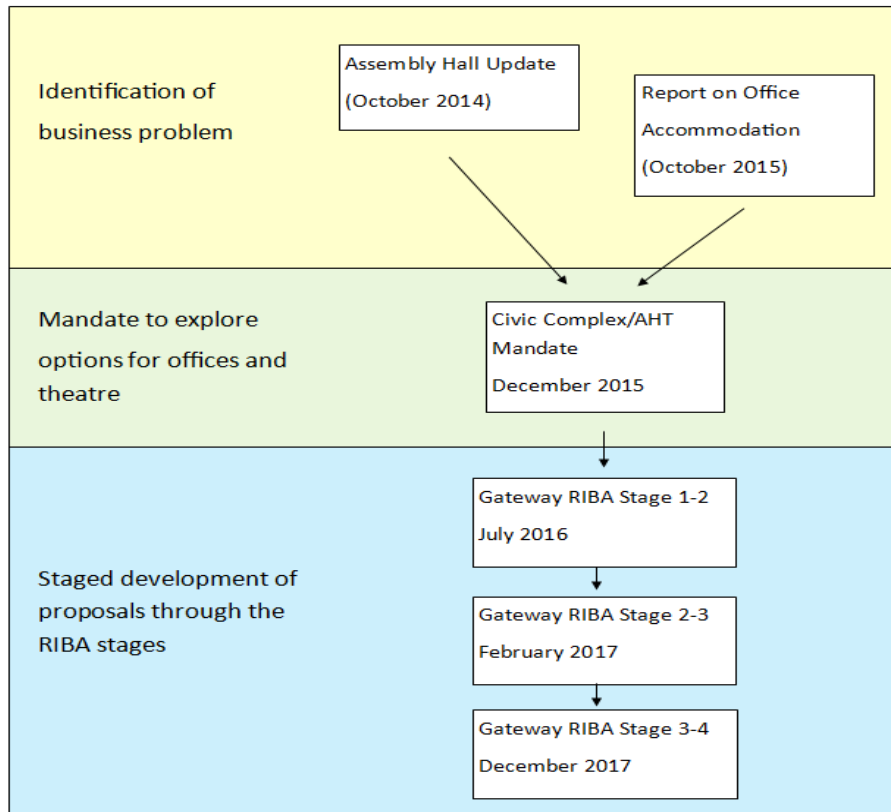
If the Council is to adopt modern working practices to improve its operations and reduce longer-term costs, an internal refurbishment will be required. Through an internal assessment of its current office, the Council has started to move towards modern working practices. This has included some improvements to the reception area as well as a minor reorganisation of staff in the Town Hall, including the relocation of Building Control and Parking Services from 9/10 Calverley Terrace. The fundamental structure of the building that prohibits accessibility and agile working has not been addressed because this would require a major refurbishment, taking the accommodation back to shell and core. A budget of around £8.2m (Faithful & Gould 2014 figure) would be required. However, the constraints and costs of an aged listed building will continue to require higher maintenance and running costs.

Assembly Hall Theatre

In October 2014 Cabinet considered a range of issues in relation to the Assembly Hall Theatre. It noted that the last refurbishment had been in 2001 and that further improvements had been required in 2012 (new lighting desk) and 2013 (new stage flying system). It addressed a number of issues including a number of pressing health and safety issues which led to the allocation of £1.5m for those issues to be addressed. In so doing (and in recognising that significant further spend would be required in the future, Cabinet authorised the investigation of *“all options for the financial viability of delivering a new theatre on, or adjacent to, the civic complex”*. The mandate included a direction to consider the disposal of the Town Hall and Assembly Hall theatre to contribute toward the financing of a new theatre. Since October 2014, the Council has worked its way through the RIBA stages narrowing options down to a preferred site of a new theatre being built on the Great Hall Car Park and an opportunity to provide not just civic office space but space to sub-let to another occupant on the site of the Mount Pleasant Avenue Car Park. This was in recognition of the place shaping priorities of the Council and the recognition of the need for top quality modern office accommodation in Royal Tunbridge Wells to continue to attract and keep core business and professional office workers within the town. The Council appointed consultants GVA to undertake an initial feasibility.

These risks set out in the Assembly Hall Update report (October 2014) and the report on Office Accommodation (October 2015) led to Full Council agreeing a mandate to explore

schemes to deliver a new theatre and civic centre through a RIBA Stage 1 report. The proposals have subsequently been taken through RIBA stages 1-3 and a decision on whether or not to proceed to Stage 4 will be taken on 6 December 2017.



8.0 Options Appraisal

Options for Theatre

Do Nothing

Designed as part of the Civic Complex, the Assembly Hall Theatre was always limited in its capabilities and is now approaching the end of its useful life. It has limited capacity, and poor backstage facilities make it unable to attract high quality touring shows. The front of house entrance is low key while the foyers lack space, have little room for catering and a poor audience experience. Backstage, the Assembly Hall Theatre has no facilities for the sophisticated musicals that now tour out of the West End. The Council would still need to spend considerable sums to comply with legislative requirements and basic health and safety requirements under this option.

The lifecycle costs of this option over 60 years would be £18,084,360

Refurbishment

The site's footprint is too small to allow for reconstruction of the Assembly Hall Theatre and the flytower height and stage and wing space limit the type of shows that can be accommodated. In addition, any reconstruction of the theatre on the same site would necessarily involve the closure, and loss of all theatre facilities, for a period of several years, severely damaging the current audience base and compromising the local community groups that use the facility.

The lifecycle costs of this option over 60 years would be £18,146,700

New Build

Arts consultants Bonnar Keenlyside were appointed early in 2016 to review the potential for a new theatre in Tunbridge Wells. Their report concluded that a well-appointed theatre of 1,200 seats or more would be well placed to attract high quality shows to Royal Tunbridge Wells. The expanded Marlowe Theatre in Canterbury provides an obvious model. A strong demographic, the lack of nearby rivals, and a high level of interest among touring companies suggest that a well-designed theatre could successfully extend Royal Tunbridge Wells' impressive history as a theatre town and reinforce the vision and priorities set out in the Council's Five Year Plan(s) and Cultural Strategy.

The purpose built Theatre proposed is designed to achieve BREEAM "Vey Good", but with significant enhancements beyond this level. These include:

- Natural ventilation to foyers, dressing and green room, offices
- Separate stage ventilation system to avoid use of full system except in performance
- Rooftop PVs
- Heat recovery on all ventilation systems
- Low energy/ LED lighting with automatic switching and dimming
- Variable speed pump and fans
- Control of plant through CO2 monitoring
- Low water flow sanitary fittings

The auditorium will be ventilated by a displacement system, the most effective way of ensuring audience comfort. This requires plenums below seating rakes so that air can be supplied under seats at low velocity. Air is then removed at high level.

The lifecycle costs of this option over 60 years would be £20,113,569

New Build Theatre Business Plan

A separate Business Plan has been prepared for the proposed purpose built theatre with 1,200 seats which is capable of presenting a wide ranging, high quality programme. The attached Business Plan sets out information on the demand, market position and management structure of the proposed new theatre as well as financial information.

Options for Office Accommodation

The Council has a number of options going forward into the future, none of which are cost free. These range from continuing as we are (do nothing), a refurbishment option and a new-build office with lettable tenant space. The Council has undertaken an exercise to assess the costs of these three options:

Staying Put/Do Nothing

The term do nothing remains a misnomer as the Council would still need to spend considerable sums to comply with legislative requirements and basic health and safety requirements. However, within this scenario the Council would remain in the Town Hall utilising the existing cellular space for accommodation on the following assumptions.

In some respects, the financial costs of staying put are quite attractive – the Council would not in the first instance need to raise capital for works. However the current cellular and physical structure of the building would remain the same meaning that the ongoing and future needs of the Council would not be met. A broader impact of remaining in situ is that a new theatre would be unlikely to be delivered. A functional 1,200 seat theatre footprint is not deliverable on the current Theatre site in physical terms and any proposal to demolish part of the Town Hall to allow for the expansion of the Town Hall would present difficulties as regards maintaining the group of listed buildings as outlined in the planning framework. In addition, under this option, meeting the ongoing revenue costs of maintaining the current listed building will remain a financial burden to the Council. The potential benefits of a reduced workforce and new methods of working would not necessarily be realised. Even if space for rental could be freed up the likelihood would be that they would be for small, short-term lets at a significantly reduced premium. This option does not deliver any additional benefit to the local economy with new business space being created nor deliver a suitable longer term income stream for the Council.

The lifecycle costs of this option over 60 years would be £13,430,878

Refurbishment

This option would see the Council refurbishing the current building making it suitable for more modern methods of working. This would include

- The opening up of the office space through the reconfiguration of walls which are non-load bearing and/or are not subject to restrictions due to the listing of the building.
- The full replacement of all M&E system, internal finishes.
- Only minor repairs to the external facade as part of the refurbishment.
- The Council Chamber and meeting spaces being updated but not remodelled.
- Temporary accommodation of approximately 20,000ft² for the temporary decant of staff (and an assumption that this floorspace exists and is available in the Borough).
- Refurbishing the Assembly Hall Theatre on the current footprint (Stephen Browning Associates Option 1) with an updated 900 seat auditorium.

The refurbishment would see the Council decanting to suitable premises for a number of years whilst work was undertaken to refurbish the existing buildings. The assumption is that space for a decant is available in the borough. This in itself is not necessarily a safe assumption with discussions with agents and employers highlighting a dearth of office space within the Borough because of residential conversions under permitted development rights (see above). An alternative option might see all office functions being relocated elsewhere within the Mid Kent Services partners but this in itself would lead to difficulties in dealing with local public enquiries. This option assumes that the theatre refurbishment is restricted to the current footprint (Stephen Browning Associates Option 1) with an updated 900 seat auditorium. A larger space could be generated but would reduce/remove scope for lettable business space, the civic space would need more fundamental redevelopment and the impact on the balance of the group listing would need to be considered.

The lifecycle costs of this option over 60 years would be £24,738,480

New Build

This is the option that has been worked up through the RIBA stages. In October 2015 the initial assumption was the provision of a new-build office with 2,000sqm for the Council office and civic function accommodation. This has evolved through the RIBA stages to a proposal that sees:

- 1,665sqm/17,922sqft (NIA) for the office and civic function. In terms of GIA this is approximately 1,945sqm.
- Shared facilities (including a café and reception) providing some added flexibility but not assumed as part of the Council space in this assessment.
- The inclusion of a lettable tenant space of 1,878sqm/20,215sqft (NIA).
- The ability for the Council to make better use of the new Civic Suite as it is built for flexibility.
- The Theatre site vacated to enable the disposal of the Civic Complex and the asset value to be realised.

It is also assumed that tenants will bear their own business rates and utility bills as is the usual practice on an internal repairing lease. Any tenanted space would also be subject to a service charge. Debt finance is assumed at 2.75 per cent and costs are based on Q3 2017 and are net of VAT and Inflation.

The lifecycle costs of this option over a 60 year period are £13,811,760

This option would see purpose-built offices providing high-quality, contemporary and flexible space that provides for the current needs of the Council whilst offering the flexibility for future change. In addition the office also provides high-quality, contemporary and flexible office space for rental use that can be sub-divided in a number of ways and that will provide a regular income stream for the Council. The office will also mitigate against the loss of existing office offices to residential use under Permitted Development Rights.

The new office is designed to achieve BREEAM “Vey Good”, but with significant enhancements beyond this level. These include:

- maximising natural light
- Reversible cycle air source heat pumps for heating and cooling
- Rooftop PVs
- Heat recovery on all ventilation systems
- Low energy/ LED lighting with automatic switching and dimming
- Variable speed pump and fans
- Control of plant through CO2 monitoring
- Low water flow sanitary fittings

The office will also meet the requirements of the British Council of Offices Guide to Specifications 2014.

9.0 Options Appraisal of Whole-life costs and Net Present Values

The whole lifecycle costs have been calculated for each option over a sixty year period to reflect the minimum life expectancy of the buildings.

| | | GIFA | Cost per m2 per annum (60 years) | Total 60 Years |
|---------|---------------|------|----------------------------------|----------------|
| OFFICE | Do Nothing | 7200 | £31.09 | 13,430,878 |
| | Refurbishment | 7200 | £57.27 | 24,738,480 |
| | New Build | 5226 | £44.05 | 13,811,760 |
| THEATRE | Do Nothing | 4500 | £66.98 | 18,084,360 |

| | | | | |
|--------------|---------------|-------|--------|-------------------|
| | Refurbishment | 4500 | £67.21 | 18,146,700 |
| | New Build | 6484 | £51.70 | 20,113,569 |
| | | | | |
| Total | Do Nothing | 11700 | £44.89 | 31,515,238 |
| | Refurbishment | 11700 | £61.09 | 42,885,180 |
| | New Build | 11710 | £48.29 | 33,925,329 |

The following assumptions have been made

The Lifecycle costs allow for the replacement of assets/ items in accordance with their expected design life on a like for like basis i.e. there is no allowance for upgrades or enhancements. Whilst there are different materials between the New build and do Nothing option, a series of core assumptions around design life of assets has been developed to ensure for similar products a similar replacement cycle is followed.

Do Nothing option is based on limited information from previous condition surveys which only covers works required over a 10 year period, and as such would require a full condition survey to be undertaken prior to being able to validate this number. The Do Nothing option does not consider whether it meets the ongoing functionality of the Council. The Do Nothing option does not allow for any future upgrades of the building and is designed to create a like for like replacement over the period of the lifecycle review.

The refurbishment option is based on the full replacement of all M&E system, internal finishes and some reconfiguration of walls which are non load-bearing and/or are not subject to restrictions due to the listing of the building. Only minor repairs are envisaged to the external facade as part of the refurbishment. No costs have been allowed for any decant rental costs etc., during the period of refurbishment. The fit out of the refurbished space is assumed to align with the design strategy for the new build option, with financial allowance (equivalent to circa 30 per cent premium) to account for the additional cost of working in a listed building, and the constraints of having to work within the existing footprint of the building.

Conclusion of whole life costs

Refurbishment is by far the most expensive option. New build is slightly more expensive than the do nothing option this does not consider whether the building meets the functional requirements of the Council or for future upgrades.

10.0 Net Present Values

The Net present Values for the office have been calculated over a sixty year period.

| | | GIFA | Cost per m2 per annum (60 years) | Total 60 Years |
|----------------------|---------------|------|----------------------------------|----------------|
| OFFICE (Lifecycle) | Do Nothing | 7200 | £71.66 | 30,958,858 |
| | Refurbishment | 7200 | £144.89 | 62,593,710 |
| | New Build | 5226 | £111.45 | 34,946,743 |
| Office (Maintenance) | Do Nothing | 7200 | £95.19 | 41,123,857 |
| | Refurbishment | 7200 | £88.39 | 38,186,438 |
| | New Build | 5226 | £81.59 | 25,584,914 |
| Office (Utilities) | Do Nothing | 7200 | £29.18 | 12,606,420 |

Appendix V

| | | | | |
|--------------------------|---------------|------|----------|--------------------|
| | Refurbishment | 7200 | £9.88 | 4,269,456 |
| | New Build | 5226 | £11.55 | 3,620,232 |
| Office (Insurance) | Do Nothing | 7200 | £3.78 | 1,631,899 |
| | Refurbishment | 7200 | £3.85 | 1,664,537 |
| | New Build | 5226 | £2.85 | 894,825 |
| Office (Business Rates) | Do Nothing | 7200 | £41.90 | 18,099,850 |
| | Refurbishment | 7200 | £71.15 | 30,735,114 |
| | New Build | 5226 | £102.47 | 32,130,974 |
| Office (Rental Income) | Do Nothing | 7200 | -£7.00 | -3,023,520 |
| | Refurbishment | 7200 | -£76.80 | -33,177,870 |
| | New Build | 5226 | -£229.42 | -71,937,492 |
| Office (Decant/Rent) | Do Nothing | 7200 | £0.00 | 0 |
| | Refurbishment | 7200 | £10.09 | 4,360,000 |
| | New Build | 5226 | £0.00 | 0 |
| | | | | |
| Total (indexed) | Do Nothing | 7200 | £234.72 | 101,397,364 |
| | Refurbishment | 7200 | £251.46 | 108,631,386 |
| | New Build | 5226 | £80.50 | 25,240,196 |
| Total (NPV) | Do Nothing | 7200 | £87.51 | £37,804,740 |
| | Refurbishment | 7200 | £93.08 | £40,211,688 |
| | New Build | 5226 | £23.60 | £7,400,034 |

The following assumptions have been made

Hard Facility Management Costs based on best practice contract and mid point of benchmarks equating to, Do Nothing = £18 m², Refurbish = £17 m², New Build = £16 m².
 Cleaning Costs based on best practice contract and mid point of benchmarks equating to, Do Nothing = £24 m², Refurbish = £22 m², New Build = £20 m²

| Element | Year of payment | Frequency of increase | Percentage increase | Status Quo | Refurbishment | New Build |
|-------------------------|-----------------|-----------------------|-------------------------------|------------------------|------------------------|------------------------|
| Net Internal Area | n/a | | | 46,000ft ² | 31,447 ft ² | 17,922 ft ² |
| Gross Internal Area | n/a | | | 52,900 ft ² | 36,164 ft ² | 20,935 ft ² |
| Gross External Area | n/a | | | 55,545ft ² | 37,972 ft ² | 21, 982ft ² |
| Water pa | Each year | Every year | Inflation | 10,000 | 4,082 | 3,439 |
| Energy pa | Each year | Every Year | Inflation | 82,700 | 27,313 | 23,182 |
| Life Cycle cost pa | Each year | Every year | Inflation | 13,430,000 | 16,822,166 | 6,491,527 |
| Insurance | Each year | Every year | Inflation | 12,000 | 12,240 | 6,580 |
| Business rates pa | Each year | Every 5 years | 12% on previous year's figure | 150,000 | 254,713 | 266,281 |
| Rental income office pa | Each year | Every 5 Years | 12 % on previous year's | 0 | (249,900) | (550,000) |

| | | | figure | | | |
|-------------------------------------|-----------|---------------|-------------------------------|----------|-----------|----------|
| Rental income court service (pa) | Each year | Every 5 Years | 12% on previous year's figure | (25,057) | (25,057) | (46,172) |
| Decant, rent and mobilisation costs | Year 0 | n/a | | | 4,360,000 | |

Inflation has been assumed at 2.5 per cent. The Net Present Value Discount Factor is as per the Green Book at 3.5 per cent for less than 31 years and 3 per cent for over 31 years.

Conclusion of Net Present Value

The new build option is the most financial advantageous due to the modern design, efficient materials and the impact of the income from the tenant.

11.0 Office and Car Park Viability

Although the office and car park form part of the same building, for viability purposes they are appraised separately. The Council has two primary objectives for the proposed office scheme that differ from a typical commercial developer. First, a need to provide a new operational office to meet its on going service delivery requirements, and second, a desire to create a separate office investment whereby the Council can benefit from the revenue generated for the long term and help shape and bolster the office rental market.

The allocation of external works has been split at 50 per cent against the office and car park building (25 per cent each) and 50 per cent against the proposed theatre.

Office payback (Tenanted Area)

A cash flow analysis method has been used to measure the estimated payback period for the debt to fund the cost of construction. The cash flow calculated the projected payback using the income from the tenants to repay the cost of construction. This will not include the Council occupied section of the office as this will not generate any rent.

The following assumptions have been used in calculating the payback for the tenanted area.

- Total delivery cost £12.7 million
- Net rent of £27.50 per ft²
- Assumed pre-let secured before completion
- Borrowing rate 2.75 per cent
- Loan to cost ratio 100 per cent
- Growth rate of 2.5 per cent a year
- Initial 12 months rent free incentive

This produces a payback of 28.6 years on the tenant's office space until that portion of the asset is owned debt free. This assumes no void periods during this time.

Appendix V

| Cash Flow (tenanted office area) | Pay back |
|----------------------------------|------------|
| £12.7million cost | 28.6 Years |

Payback Sensitivity

The growth rate of 2.5 per cent is achieved through rent reviews and is based on an average of CPI inflation over the last 25 years. However, should the rental growth be reduced to 1 per cent a year, the payback period would increase to 34.7 years.

Office viability (Council occupied area)

The council occupied area cannot be analysed on a payback method as there is no income being generated to repay the debt. However the cost of delivery can be compared to the 'do nothing' option as this would incur the anticipated refurbishment costs of staying within the existing Town Hall.

The proportionate split of total delivery cost for the Council area is £13.1 million. By comparison, in June 2014 consultants Faithful & Gould estimated that the Town Hall refurbishment costs (excluding the Assembly Hall) would be in the region of £10.5 million. Based on AECOM's advice using its tender price inflation data between June 2014 and March 2022, the inflated cost would be £14.9 million.

| Cost of Staying (Town Hall refurbishment) | Cost of Moving (New Council office area delivery cost) |
|--|---|
| £14.9 million | £13 million |

This shows that the costs of moving is more favourable than the cost of staying within the Town Hall. This figure does not include the cost of securing alternative temporary office accommodation whilst the major refurbishment was being carried out. This is estimated to last four years and cost a further £4.3 million which is shown in the table below.

| Cost Heading | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Total |
|-----------------------|------------|----------|----------|----------|----------|-------------------|
| Cat B Office Fit Out | £1,600,000 | | | | | £1,600,000 |
| Move Cost (Out) | £20,000 | | | | | £20,000 |
| Office Rent | | £510,000 | £510,000 | £510,000 | £510,000 | £2,040,000 |
| Office Service Charge | | £120,000 | £120,000 | £120,000 | £120,000 | £480,000 |
| Dilap Costs | | | | | £200,000 | £200,000 |
| Move Cost (in) | | | | | £20,000 | £20,000 |
| Total | | | | | | £4,360,000 |

New Underground Car Park Viability

The car park is anticipated to have the following spaces;

| Category of car park space | No. of spaces |
|----------------------------|---------------|
| Regular income generating | 253 |
| Free blue badge spaces | 6 |
| Free contractor spaces | 2 |
| Total spaces | 261 |

Cash flows

The construction cost of £15.4 million is allocated 25 per cent of the external works and tender inflation which gives a total cost of £17.5 million.

The car park is expected to be in high demand due to its location and quality of provision. A net operating income (NOI) of £2,137.50 per space has been assumed on opening and a growth rate of 2.5 per cent a year. The table below summaries the payback assumptions which results in a payback of 37.2 years.

| Income generating spaces | Cost per space | Build Cost | Total Cost | Growth rate | NOI per space/p.a. | Pay back (years) |
|--------------------------|----------------|------------|------------|-------------|--------------------|------------------|
| 253 | £67,000 | £15.4m | £17.5m | 2.50% | £2,137.50 | 37.2 |

If 40 spaces were provided at nil rent to help secure an office letting the payback period would increase to 44.1 years. The new car park is replacing the loss of the existing car parks at Great Hall and Mount Pleasant Avenue. Occupancy levels remain high within the town centre due to existing demand from a growth in population and car ownership whilst no new car parking has been provided for over 25 years.

12.0 Timescales

The detailed programme and timescales are set out within the Stage 3 reports. The key milestones for this project are as follows;

Approvals

| | |
|-----------------|---|
| 6 December 2017 | Full Council decision on preferred option and whether to move into delivery and allocate funding. |
| January 2018 | Submission of planning application |
| February 2018 | Full Council adoption of Supplementary Planning Document |
| May 2018 | Planning Committee to determine application |

Delivery

| | |
|----------|---|
| May 2018 | Enter RIBA Stage 4 |
| May 2018 | Tender of works packages and agree fixed contract price |
| May 2018 | Compulsory Purchase Order Made |

| | |
|--------------|---|
| October 2018 | Allow for Judicial Review |
| April 2019 | Contract awarded |
| April 2019 | Discharge Pre-commencement planning conditions |
| April 2019 | Contractor mobilisation |
| May 2019 | Allow for Judicial Review challenge |
| October 2019 | Obtain vacant possession of the site |
| October 2019 | Construction |
| April 2021 | Office and Car Park completion |
| April 2021 | Migration/ Operational readiness for soft opening |
| January 2022 | Practical completion |

13.0 Organisational Capacity to deliver the project

The Council has established a Project Programme Board to oversee all elements of this project which has dedicated programme and project management support. The effectiveness of this approach has been independently reviewed by Mid Kent Audit whose report is attached and found that the Council has in place 'Strong' arrangements for project management including capacity to delivery.

If Full Council agrees to move into Stage 4 then there will be a further review of the Council's capacity to deliver the project.

14.0 Conclusions

The Council has been making efficiencies in its operation and developing its resilience in partnership with other local authorities. This has seen core staff numbers reduced but, with an inefficient and cellular building, the overheads have not been able to be reduced. The Council has been rationalising its assets over a number of years and has seen a return on these.

The Council is seeking to meet the challenge of reduced Government grants to be self-sufficient and therefore creating income streams is important to the Council to maintain essential services.

In delivering additional commercial floor space the Council will help to retain existing growing businesses or develop new business opportunities in the local economy. The retention of Business Rate growth is an added incentive to the benefits being retained locally.

A review of the local office market highlights the loss of existing office space in the town center through redevelopment and permitted development rights is impacting on the availability of space with the potential for jobs to be lost from the local economy.

With the severe lack of office supply likely to continue for some time, now is a compelling time to deliver new stock into the marketplace, particularly as Royal Tunbridge Wells remains a popular office location for large corporates including AXA PPP healthcare, Blackrock, RBS and BNP Paribas.

New quality space in the town centre is essential to promoting both the future prosperity of the town and its sustainability as a place in which people live, work and visit rather than becoming a dormitory town. It is unlikely that the Staying Put option would deliver sufficient space and of any quality to address the demand, a refurbishment would deliver some space but again the ability to provide space of a sufficient quality is debatable.

The new buildings themselves will:

- Give Royal Tunbridge Wells and the surrounding area a better theatre, able to attract a higher class of touring show.
- Give the Council more efficient, appropriate and cost-effective premises.
- Free the existing Civic Complex for appropriate redevelopment and repurposing.

In addition, a new civic presence at the entrance to Calverley Grounds can heal the fundamental split in Royal Tunbridge Wells between the two separate centres of Royal Victoria Place and the Pantiles.

The loss of public car parking currently located on the site requires provision of high-quality car parking spaces to accommodate modern vehicles to mitigate this loss and support the new buildings and visitors arriving by train.

This business case demonstrates that the objectives of delivering a purpose built theatre and modern efficient office accommodation can be met whilst ensuring to do so would be more cost effective than the alternative options.

Appendix : Design Life Assumptions

| Building Element | Description | Average Design Life | Remedial works to achieve Design Life |
|-------------------------------|-----------------------------------|---------------------|---|
| Roof | Slabs | 35 | Allow for attendance year 12 |
| Roof | Standing Seam Roof Covering | 35 | Allow for Attendance year 20 |
| Roof | Single Ply Roofing | 35 | Allow for Attendance year 20 |
| Roof | Smoke vents | 16 | Allow for Replacement mechanisms |
| Roof | Rainwater Installation | 35 | Allow for attendance year 12 |
| Roof | Roof lights | 35 | Allow for Replacement seals year 12 |
| Stairs | General handrails and balustrades | 12 | Allow for attendance year 12 |
| External Walls | Curtain walling | 40 | Allow for replacement seals/ attendance to fixings - Yr 20 |
| External Walls | Cladding Systems | 40 | Allow for replacement seals/ attendance to fixings - Yr 20 |
| Windows and External Doors | External doors (metal) | 32 | |
| Windows and External Doors | External doors ironmongery | 16 | |
| Internal Walls & Partitions | IPS Systems | 25 | |
| Internal Doors/Hatches | Internal Doors | 25 | |
| Internal Doors/Hatches | Internal Ironmongery | 12 | |
| Wall Finishes | Paint Finish | 5 | |
| Wall Finishes | Tile Finish | 35 | Allow for re-grout 8 years |
| Floor Finishes | Vinyl sheeting | 10 | |
| Floor Finishes | Carpet tiles | 10 | |
| Floor Finishes | Floor paint | 5 | |
| Floor Finishes | Tile Finish | 35 | Allow for re-grout 8 years |
| Ceiling Finishes | Suspended ceiling; | 35 | Partial Replacement of tiles around year 20 |
| Ceiling Finishes | Painted Ceiling | 7 | |
| Fittings and furnishings | Loose FF&E | Various | Cost is normally spread over a number of years and only a % is replaced |
| Fittings and furnishings | Fixed FF&E | Various | Cost is normally spread over a number of years and only a % is replaced |
| Fittings and furnishings | Blinds | 8 | |
| Sanitary appliances | Sanitary ware | 35 | Attend to fittings every 12 years |
| Water installations/ Plumbing | Hot and cold water pipework | 60+ | % allowed for attendance to valves etc. around year 16 |
| Water installations/ Plumbing | Pumps | 15 | |
| Heat source | Boiler | 18 or 30 | 18 related to modern boilers and 30 years for non modular style boilers |

| Building Element | Description | Average Design Life | Remedial works to achieve Design Life |
|---------------------------------|--|---------------------|--|
| Space heating and air treatment | Trench Heating | 25 | % allowed for attendance to valves, manifolds etc.- Year 15 |
| Space heating and air treatment | Radiator | 50 | |
| Space heating and air treatment | Underfloor Heating | 60+ | % allowed for attendance to valves, manifolds etc. - Year 15 |
| Space heating and air treatment | Air Conditioning | 20 | |
| Electrical installations | Distribution Boards | 20 | |
| Ventilating systems | AHU's / FCU's | 25 | |
| Ventilating systems | R22 Units | 15 | |
| Ventilating systems | Extract Fans | 18 | |
| Electrical installations | Electrical Wiring (small power and lighting) | 35 | Excludes containment |
| Electrical installations | Light Fittings & EL Fittings | 20 | |
| Electrical installations | Emergency Light Batteries | 9 | |
| Lift and conveyor installations | Passenger Lifts | 18 | Car Refurbishment |
| Lift and conveyor installations | Passenger Lifts | 36 | Major overhaul |
| Protective installations | Lightning protection | 35 | Attendance to structure - Yr 12 |
| Protective installations | Kitchen fire suppressant system | 25 | Equipment replacement only |
| Protective installations | Earthing and bonding | 35 | |
| Protective installations | Fire alarm installation | 35 | Equipment replacement - Circa yr 18 |
| Protective installations | Sprinkler Systems | 60+ | Equipment replacement - Circa yr 18 |
| Specialist Systems | Building management system | 35 | Equipment replacement - Circa yr 18 |
| Specialist Systems | UPS batteries | 8 | |
| Specialist Systems | UPS | 25 | |

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| | | GIFA | Cost per m2 per annum (60 years) | Total 60 Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | |
|--------------------------|---------------|------|----------------------------------|----------------|-----------|----------|----------|----------|-----------|----------|----------|-----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|-----------|------------|------------|------------|------------|------------|------------|---|
| OFFICE (Lifecycle) | Do Nothing | 7200 | £71.66 | 30,958,858 | 42,128 | 38,382 | 44,917 | 68,324 | 1,165,535 | 49,297 | 58,713 | 428,100 | 216,575 | 309,112 | 14,885 | 63,729 | 22,363 | 895,268 | 508,122 | 470,908 | 306,740 | 188,028 | 18,136 | 576,977 | 242,110 | 416,614 | 61,336 | 949,133 | 1,688,241 | 153,963 | 242,768 | 83,845 | 274,774 | 626,487 | |
| | Refurbishment | 7200 | £144.89 | 62,593,710 | 0 | 0 | 0 | 0 | 19,973 | 57,751 | 53,101 | 252,846 | 4,174 | 98,007 | 226,393 | 519,853 | 221,372 | 517,605 | 379,480 | 1,148,675 | 83,165 | 1,632,249 | 278,831 | 1,369,087 | 441,489 | 269,064 | 212,751 | 1,706,734 | 3,520,817 | 796,116 | 139,890 | 1,054,926 | 144,528 | 631,093 | |
| | New Build | 5226 | £111.45 | 34,946,743 | 0 | 0 | 0 | 0 | 11,151 | 32,243 | 29,647 | 141,167 | 2,330 | 54,719 | 126,397 | 290,240 | 123,595 | 288,985 | 211,867 | 641,317 | 46,432 | 911,302 | 155,674 | 764,376 | 246,488 | 150,221 | 118,781 | 952,888 | 1,965,710 | 444,480 | 78,102 | 588,977 | 80,692 | 352,346 | |
| Office (Maintenance) | Do Nothing | 7200 | £95.19 | 41,123,857 | 302,400 | 309,960 | 317,709 | 325,652 | 333,793 | 342,138 | 350,691 | 359,459 | 368,445 | 377,656 | 387,098 | 396,775 | 406,694 | 416,862 | 427,283 | 437,965 | 448,914 | 460,137 | 471,641 | 483,432 | 495,518 | 507,906 | 520,603 | 533,618 | 546,959 | 560,633 | 574,649 | 589,015 | 603,740 | 618,834 | |
| | Refurbishment | 7200 | £88.39 | 38,186,438 | 280,800 | 287,820 | 295,016 | 302,391 | 309,951 | 317,699 | 325,642 | 333,783 | 342,128 | 350,681 | 359,448 | 368,434 | 377,645 | 387,086 | 396,763 | 406,682 | 416,849 | 427,270 | 437,952 | 448,901 | 460,123 | 471,627 | 483,417 | 495,503 | 507,890 | 520,588 | 533,602 | 546,942 | 560,616 | 574,631 | |
| | New Build | 5226 | £81.59 | 25,584,914 | 188,136 | 192,839 | 197,660 | 202,602 | 207,667 | 212,859 | 218,180 | 223,635 | 229,225 | 234,956 | 240,830 | 246,851 | 253,022 | 259,348 | 265,831 | 272,477 | 279,289 | 286,271 | 293,428 | 300,764 | 308,283 | 315,990 | 323,890 | 331,987 | 340,286 | 348,794 | 357,513 | 366,451 | 375,613 | 385,003 | |
| Office (Utilities) | Do Nothing | 7200 | £29.18 | 12,606,420 | 92,700 | 95,018 | 97,393 | 99,828 | 102,323 | 104,882 | 107,504 | 110,191 | 112,946 | 115,770 | 118,664 | 121,630 | 124,671 | 127,788 | 130,983 | 134,257 | 137,614 | 141,054 | 144,580 | 148,195 | 151,900 | 155,697 | 159,590 | 163,579 | 167,669 | 171,861 | 176,157 | 180,561 | 185,075 | 189,702 | |
| | Refurbishment | 7200 | £9.88 | 4,269,456 | 31,395 | 32,180 | 32,984 | 33,809 | 34,654 | 35,521 | 36,409 | 37,319 | 38,252 | 39,208 | 40,188 | 41,193 | 42,223 | 43,278 | 44,360 | 45,469 | 46,606 | 47,771 | 48,965 | 50,190 | 51,444 | 52,730 | 54,049 | 55,400 | 56,785 | 58,205 | 59,660 | 61,151 | 62,680 | 64,247 | |
| | New Build | 5226 | £11.55 | 3,620,232 | 26,621 | 27,287 | 27,969 | 28,668 | 29,385 | 30,119 | 30,872 | 31,644 | 32,435 | 33,246 | 34,077 | 34,929 | 35,802 | 36,697 | 37,615 | 38,555 | 39,519 | 40,507 | 41,520 | 42,558 | 43,622 | 44,712 | 45,830 | 46,976 | 48,150 | 49,354 | 50,588 | 51,852 | 53,149 | 54,477 | |
| Office (Insurance) | Do Nothing | 7200 | £3.78 | 1,631,899 | 12,000 | 12,300 | 12,608 | 12,923 | 13,246 | 13,577 | 13,916 | 14,264 | 14,621 | 14,986 | 15,361 | 15,745 | 16,139 | 16,542 | 16,956 | 17,380 | 17,814 | 18,259 | 18,716 | 19,184 | 19,663 | 20,155 | 20,659 | 21,175 | 21,705 | 22,247 | 22,804 | 23,374 | 23,958 | 24,557 | |
| | Refurbishment | 7200 | £3.85 | 1,664,537 | 12,240 | 12,546 | 12,860 | 13,181 | 13,511 | 13,848 | 14,195 | 14,550 | 14,913 | 15,286 | 15,668 | 16,060 | 16,461 | 16,873 | 17,295 | 17,727 | 18,170 | 18,625 | 19,090 | 19,567 | 20,057 | 20,558 | 21,072 | 21,599 | 22,139 | 22,692 | 23,260 | 23,841 | 24,437 | 25,048 | |
| | New Build | 5226 | £2.85 | 894,825 | 6,580 | 6,745 | 6,913 | 7,086 | 7,263 | 7,445 | 7,631 | 7,822 | 8,017 | 8,218 | 8,423 | 8,634 | 8,849 | 9,071 | 9,297 | 9,530 | 9,768 | 10,012 | 10,263 | 10,519 | 10,782 | 11,052 | 11,328 | 11,611 | 11,901 | 12,199 | 12,504 | 12,817 | 13,137 | 13,465 | |
| Office (Business Rates) | Do Nothing | 7200 | £41.90 | 18,099,850 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 168,000 | 168,000 | 168,000 | 168,000 | 168,000 | 188,160 | 188,160 | 188,160 | 188,160 | 188,160 | 210,739 | 210,739 | 210,739 | 210,739 | 210,739 | 236,028 | 236,028 | 236,028 | 236,028 | 264,351 | 264,351 | 264,351 | 264,351 | 264,351 | 264,351 | |
| | Refurbishment | 7200 | £71.15 | 30,735,114 | 254,713 | 254,713 | 254,713 | 254,713 | 254,713 | 285,279 | 285,279 | 285,279 | 285,279 | 285,279 | 319,512 | 319,512 | 319,512 | 319,512 | 319,512 | 357,853 | 357,853 | 357,853 | 357,853 | 357,853 | 400,796 | 400,796 | 400,796 | 400,796 | 448,891 | 448,891 | 448,891 | 448,891 | 448,891 | 448,891 | |
| | New Build | 5226 | £102.47 | 32,130,974 | 266,281 | 266,281 | 266,281 | 266,281 | 266,281 | 298,235 | 298,235 | 298,235 | 298,235 | 298,235 | 334,023 | 334,023 | 334,023 | 334,023 | 334,023 | 374,106 | 374,106 | 374,106 | 374,106 | 374,106 | 418,998 | 418,998 | 418,998 | 418,998 | 469,278 | 469,278 | 469,278 | 469,278 | 469,278 | 469,278 | |
| Office (Rental Income) | Do Nothing | 7200 | £7.00 | -3,023,520 | -25,057 | -25,057 | -25,057 | -25,057 | -25,057 | -28,064 | -28,064 | -28,064 | -28,064 | -28,064 | -31,432 | -31,432 | -31,432 | -31,432 | -31,432 | -35,203 | -35,203 | -35,203 | -35,203 | -35,203 | -39,428 | -39,428 | -39,428 | -39,428 | -44,159 | -44,159 | -44,159 | -44,159 | -44,159 | -44,159 | |
| | Refurbishment | 7200 | £76.80 | -33,177,870 | -274,957 | -274,957 | -274,957 | -274,957 | -274,957 | -307,952 | -307,952 | -307,952 | -307,952 | -307,952 | -344,906 | -344,906 | -344,906 | -344,906 | -344,906 | -386,295 | -386,295 | -386,295 | -386,295 | -386,295 | -432,650 | -432,650 | -432,650 | -432,650 | -484,568 | -484,568 | -484,568 | -484,568 | -484,568 | -484,568 | |
| | New Build | 5226 | £229.42 | -71,937,492 | -596,172 | -596,172 | -596,172 | -596,172 | -596,172 | -667,713 | -667,713 | -667,713 | -667,713 | -667,713 | -747,838 | -747,838 | -747,838 | -747,838 | -747,838 | -837,579 | -837,579 | -837,579 | -837,579 | -837,579 | -938,088 | -938,088 | -938,088 | -938,088 | -1,050,659 | -1,050,659 | -1,050,659 | -1,050,659 | -1,050,659 | -1,050,659 | |
| Office (Decant/Rent) | Do Nothing | 7200 | £0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Refurbishment | 7200 | £10.09 | 4,360,000 | 4,360,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | New Build | 5226 | £0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total (Indexed) | Do Nothing | 7200 | £234.72 | 101,397,364 | 574,171 | 580,603 | 597,570 | 631,670 | 1,739,840 | 649,829 | 670,760 | 1,051,951 | 852,523 | 957,461 | 692,736 | 754,608 | 726,596 | 1,613,189 | 1,240,072 | 1,236,046 | 1,086,619 | 983,015 | 828,609 | 1,403,323 | 1,105,791 | 1,296,972 | 958,788 | 1,864,106 | 2,621,174 | 1,128,896 | 1,236,570 | 1,096,987 | 1,307,739 | 1,679,772 | |
| | Refurbishment | 7200 | £251.46 | 108,631,386 | 4,664,191 | 312,302 | 320,616 | 329,137 | 357,845 | 402,146 | 406,673 | 615,824 | 376,793 | 480,509 | 616,303 | 920,146 | 632,307 | 939,449 | 812,504 | 1,590,112 | 536,349 | 2,097,474 | 756,397 | 1,859,304 | 941,260 | 782,125 | 739,434 | 2,247,382 | 4,075,777 | 1,361,924 | 720,735 | 1,651,184 | 756,584 | 1,259,343 | |
| | New Build | 5226 | £80.50 | 25,240,196 | -108,554 | -103,021 | -97,349 | -91,535 | -74,425 | -86,813 | -83,148 | 34,789 | -97,470 | -38,340 | -4,088 | 166,838 | 7,453 | 180,285 | 110,796 | 498,406 | -88,465 | 784,619 | 37,411 | 654,744 | 90,085 | 2,885 | -19,281 | 824,372 | 1,846,958 | 273,446 | -82,673 | 438,716 | -58,791 | 223,911 | |
| Discount Factor | | | | 30 | 1 | 0.97 | 0.93 | 0.90 | 0.87 | 0.84 | 0.81 | 0.78 | 0.75 | 0.73 | 0.70 | 0.68 | 0.65 | 0.63 | 0.61 | 0.59 | 0.57 | 0.55 | 0.53 | 0.51 | 0.49 | 0.47 | 0.46 | 0.44 | 0.43 | 0.41 | 0.40 | 0.38 | 0.37 | 0.36 | |
| | | | | 30+ | 1 | 0.97 | 0.94 | 0.91 | 0.89 | 0.86 | 0.83 | 0.81 | 0.78 | 0.76 | 0.74 | 0.72 | 0.69 | 0.67 | 0.65 | 0.63 | 0.61 | 0.60 | 0.58 | 0.56 | 0.54 | 0.53 | 0.51 | 0.50 | 0.48 | 0.47 | 0.45 | 0.44 | 0.43 | 0.41 | |
| Total (NPV) | Do Nothing | 7200 | £76.08 | 32,865,612 | 574,171 | 560,282 | 556,472 | 567,639 | 1,508,754 | 543,796 | 541,666 | 819,760 | 641,098 | 694,811 | 485,111 | 509,943 | 473,828 | 1,015,174 | 753,060 | 724,343 | 614,489 | 536,444 | 436,356 | 713,143 | 542,275 | 613,768 | 437,848 | 821,484 | 1,114,683 | 463,273 | 489,698 | 419,217 | 482,265 | 597,781 | |
| | Refurbishment | 7200 | £80.96 | 34,972,630 | 4,664,191 | 301,371 | 298,565 | 295,773 | 310,316 | 336,527 | 328,405 | 479,897 | 283,349 | 348,696 | 431,586 | 621,809 | 412,340 | 591,191 | 493,410 | 931,832 | 303,308 | 1,144,619 | 398,329 | 944,864 | 461,589 | 370,126 | 337,676 | 990,387 | 1,733,269 | 558,902 | 285,421 | 631,005 | 279,012 | 448,163 | |
| | New Build | 5226 | £19.38 | 6,076,053 | -108,554 | -99,415 | -90,654 | -82,257 | -64,540 | -72,647 | -67,145 | 27,110 | -73,298 | -27,822 | -2,863 | 112,744 | 4,860 | 113,453 | 67,283 | 292,074 | -50,028 | 428,177 | 19,701 | 332,729 | 44,177 | 1,365 | -8,796 | 363,288 | 785,439 | 112,216 | -32,740 | 167,657 | -21,681 | 79,683 | |
| Total (NPV) | Do Nothing | 7200 | £87.51 | 37,804,740 | 574,171 | 563,185 | 562,253 | 576,508 | 1,540,268 | 558,030 | 558,725 | 849,958 | 668,159 | 727,891 | 510,840 | 539,772 | 504,143 | 1,085,720 | 809,564 | 782,728 | 667,459 | 585,706 | 478,895 | 786,721 | 601,323 | 684,127 | 490,570 | 925,168 | 1,261,878 | 527,166 | 560,123 | 481,990 | 557,352 | 694,433 | |
| | Refurbishment | 7200 | £93.08 | 40,211,688 | 4,664,191 | 302,933 | 301,667 | 300,394 | 316,797 | 345,336 | 338,747 | 497,575 | 295,309 | 365,298 | 454,477 | 658,182 | 438,722 | 632,274 | 530,432 | 1,006,940 | 329,454 | 1,249,729 | 437,161 | 1,042,350 | 511,852 | 412,556 | 378,336 | 1,115,390 | 1,962,149 | 635,984 | 326,468 | 725,491 | 322,453 | 520,624 | |
| | New Build | 5226 | £23.60 | 7,400,034 | -108,554 | -99,930 | -91,595 | -83,542 | - | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | | GIFA | Cost per m2 per annum (60 years) | Total 60 Years | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 |
|-------------------------|---------------|------|----------------------------------|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| OFFICE (Lifecycle) | Do Nothing | 7200 | £71.66 | 30,958,858 | 1,701,249 | 711,106 | 94,217 | 31,728 | 494,060 | 270,951 | 137,750 | 61,202 | 166,766 | 1,946,645 | 31,222 | 204,133 | 46,908 | 315,309 | 1,201,860 | 85,201 | 152,977 | 1,218,817 | 430,620 | 1,492,258 | 146,947 | 222,113 | 41,990 | 431,845 | 3,311,402 | 1,558,410 | 1,864,460 | 114,586 | 48,696 | 2,197,920 |
| | Refurbishment | 7200 | £144.89 | 62,593,710 | 152,071 | 1,829,033 | 184,224 | 319,565 | 707,341 | 3,729,030 | 321,083 | 151,354 | 677,482 | 6,162,149 | 1,032,574 | 1,081,876 | 274,627 | 324,060 | 673,200 | 77,091 | 602,253 | 3,502,987 | 1,700,776 | 6,536,588 | 1,458,602 | 127,980 | 98,759 | 4,235,464 | 436,251 | 3,126,001 | 261,159 | 152,347 | 1,129,495 | 5,748,314 |
| | New Build | 5226 | £111.45 | 34,946,743 | 84,903 | 1,021,169 | 102,854 | 178,416 | 394,916 | 2,081,958 | 179,264 | 84,503 | 378,245 | 3,440,394 | 576,497 | 604,023 | 153,327 | 180,926 | 375,855 | 43,041 | 336,245 | 1,955,756 | 949,562 | 3,649,447 | 814,353 | 71,453 | 55,138 | 2,364,705 | 243,563 | 1,745,280 | 145,808 | 85,057 | 630,609 | 3,209,345 |
| Office (Maintenance) | Do Nothing | 7200 | £95.19 | 41,123,857 | 634,304 | 650,162 | 666,416 | 683,077 | 700,153 | 717,657 | 735,599 | 753,989 | 772,838 | 792,159 | 811,963 | 832,262 | 853,069 | 874,396 | 896,256 | 918,662 | 941,629 | 965,169 | 989,298 | 1,014,031 | 1,039,382 | 1,065,366 | 1,092,000 | 1,119,300 | 1,147,283 | 1,175,965 | 1,205,364 | 1,235,498 | 1,266,386 | 1,298,045 |
| | Refurbishment | 7200 | £88.39 | 38,186,438 | 588,997 | 603,722 | 618,815 | 634,285 | 650,142 | 666,396 | 683,056 | 700,132 | 717,636 | 735,577 | 753,966 | 772,815 | 792,135 | 811,939 | 832,237 | 853,043 | 874,369 | 896,229 | 918,634 | 941,600 | 965,140 | 989,269 | 1,014,000 | 1,039,350 | 1,065,334 | 1,091,967 | 1,119,267 | 1,147,248 | 1,175,930 | 1,205,328 |
| | New Build | 5226 | £81.59 | 25,584,914 | 394,628 | 404,494 | 414,606 | 424,971 | 435,595 | 446,485 | 457,647 | 469,089 | 480,816 | 492,836 | 505,157 | 517,786 | 530,731 | 543,999 | 557,599 | 571,539 | 585,827 | 600,473 | 615,485 | 630,872 | 646,644 | 662,810 | 679,380 | 696,365 | 713,774 | 731,618 | 749,909 | 768,656 | 787,873 | 807,570 |
| Office (Utilities) | Do Nothing | 7200 | £29.18 | 12,606,420 | 194,445 | 199,306 | 204,288 | 209,395 | 214,630 | 219,996 | 225,496 | 231,133 | 236,912 | 242,835 | 248,905 | 255,128 | 261,506 | 268,044 | 274,745 | 281,614 | 288,654 | 295,870 | 303,267 | 310,849 | 318,620 | 326,585 | 334,750 | 343,119 | 351,697 | 360,489 | 369,501 | 378,739 | 388,208 | 397,913 |
| | Refurbishment | 7200 | £9.88 | 4,269,456 | 65,853 | 67,499 | 69,187 | 70,917 | 72,690 | 74,507 | 76,369 | 78,279 | 80,236 | 82,242 | 84,298 | 86,405 | 88,565 | 90,779 | 93,049 | 95,375 | 97,759 | 100,203 | 102,708 | 105,276 | 107,908 | 110,606 | 113,371 | 116,205 | 119,110 | 122,088 | 125,140 | 128,269 | 131,475 | 134,762 |
| | New Build | 5226 | £11.55 | 3,620,232 | 55,839 | 57,235 | 58,666 | 60,133 | 61,636 | 63,177 | 64,757 | 66,375 | 68,035 | 69,736 | 71,479 | 73,266 | 75,098 | 76,975 | 78,900 | 80,872 | 82,894 | 84,966 | 87,090 | 89,268 | 91,499 | 93,787 | 96,131 | 98,535 | 100,998 | 103,523 | 106,111 | 108,764 | 111,483 | 114,270 |
| Office (Insurance) | Do Nothing | 7200 | £3.78 | 1,631,899 | 25,171 | 25,800 | 26,445 | 27,106 | 27,784 | 28,478 | 29,190 | 29,920 | 30,668 | 31,435 | 32,221 | 33,026 | 33,852 | 34,698 | 35,566 | 36,455 | 37,366 | 38,300 | 39,258 | 40,239 | 41,245 | 42,276 | 43,333 | 44,417 | 45,527 | 46,665 | 47,832 | 49,028 | 50,253 | 51,510 |
| | Refurbishment | 7200 | £3.85 | 1,664,537 | 25,674 | 26,316 | 26,974 | 27,648 | 28,340 | 29,048 | 29,774 | 30,519 | 31,282 | 32,064 | 32,865 | 33,687 | 34,529 | 35,392 | 36,277 | 37,184 | 38,114 | 39,066 | 40,043 | 41,044 | 42,070 | 43,122 | 44,200 | 45,305 | 46,438 | 47,599 | 48,789 | 50,008 | 51,258 | 52,540 |
| | New Build | 5226 | £2.85 | 894,825 | 13,802 | 14,147 | 14,501 | 14,863 | 15,235 | 15,616 | 16,006 | 16,406 | 16,816 | 17,237 | 17,668 | 18,109 | 18,562 | 19,026 | 19,502 | 19,989 | 20,489 | 21,001 | 21,526 | 22,065 | 22,616 | 23,182 | 23,761 | 24,355 | 24,964 | 25,588 | 26,228 | 26,884 | 27,556 | 28,245 |
| Office (Business Rates) | Do Nothing | 7200 | £41.90 | 18,099,850 | 296,073 | 296,073 | 296,073 | 296,073 | 296,073 | 331,602 | 331,602 | 331,602 | 331,602 | 331,602 | 371,394 | 371,394 | 371,394 | 371,394 | 371,394 | 415,962 | 415,962 | 415,962 | 415,962 | 415,962 | 465,877 | 465,877 | 465,877 | 465,877 | 465,877 | 521,782 | 521,782 | 521,782 | 521,782 | 521,782 |
| | Refurbishment | 7200 | £71.15 | 30,735,114 | 502,758 | 502,758 | 502,758 | 502,758 | 502,758 | 563,089 | 563,089 | 563,089 | 563,089 | 563,089 | 630,660 | 630,660 | 630,660 | 630,660 | 630,660 | 706,339 | 706,339 | 706,339 | 706,339 | 706,339 | 791,100 | 791,100 | 791,100 | 791,100 | 791,100 | 886,032 | 886,032 | 886,032 | 886,032 | 886,032 |
| | New Build | 5226 | £102.47 | 32,130,974 | 525,591 | 525,591 | 525,591 | 525,591 | 525,591 | 588,662 | 588,662 | 588,662 | 588,662 | 588,662 | 659,302 | 659,302 | 659,302 | 659,302 | 659,302 | 738,418 | 738,418 | 738,418 | 738,418 | 738,418 | 827,028 | 827,028 | 827,028 | 827,028 | 827,028 | 926,272 | 926,272 | 926,272 | 926,272 | 926,272 |
| Office (Rental Income) | Do Nothing | 7200 | -£7.00 | -3,023,520 | -49,458 | -49,458 | -49,458 | -49,458 | -49,458 | -55,393 | -55,393 | -55,393 | -55,393 | -55,393 | -62,040 | -62,040 | -62,040 | -62,040 | -62,040 | -69,485 | -69,485 | -69,485 | -69,485 | -69,485 | -77,823 | -77,823 | -77,823 | -77,823 | -77,823 | -87,162 | -87,162 | -87,162 | -87,162 | -87,162 |
| | Refurbishment | 7200 | -£76.80 | -33,177,870 | -542,716 | -542,716 | -542,716 | -542,716 | -542,716 | -607,842 | -607,842 | -607,842 | -607,842 | -607,842 | -680,783 | -680,783 | -680,783 | -680,783 | -680,783 | -762,477 | -762,477 | -762,477 | -762,477 | -762,477 | -853,975 | -853,975 | -853,975 | -853,975 | -853,975 | -956,452 | -956,452 | -956,452 | -956,452 | -956,452 |
| | New Build | 5226 | -£229.42 | -71,937,492 | -1,176,738 | -1,176,738 | -1,176,738 | -1,176,738 | -1,176,738 | -1,317,946 | -1,317,946 | -1,317,946 | -1,317,946 | -1,317,946 | -1,476,100 | -1,476,100 | -1,476,100 | -1,476,100 | -1,476,100 | -1,653,232 | -1,653,232 | -1,653,232 | -1,653,232 | -1,653,232 | -1,851,620 | -1,851,620 | -1,851,620 | -1,851,620 | -1,851,620 | -2,073,814 | -2,073,814 | -2,073,814 | -2,073,814 | -2,073,814 |
| Office (Decant/Rent) | Do Nothing | 7200 | £0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Refurbishment | 7200 | £10.09 | 4,360,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | New Build | 5226 | £0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total (Indexed) | Do Nothing | 7200 | £234.72 | 101,397,364 | 2,801,784 | 1,832,989 | 1,237,982 | 1,197,921 | 1,683,243 | 1,513,292 | 1,404,244 | 1,352,453 | 1,483,393 | 3,289,283 | 1,433,666 | 1,633,904 | 1,504,689 | 1,801,801 | 2,717,780 | 1,668,408 | 1,767,103 | 2,864,633 | 2,108,920 | 3,203,854 | 1,934,248 | 2,044,395 | 1,900,128 | 2,326,735 | 5,243,963 | 3,576,150 | 3,921,778 | 2,212,471 | 2,188,163 | 4,380,009 |
| | Refurbishment | 7200 | £251.46 | 108,631,386 | 792,637 | 2,486,612 | 859,242 | 1,012,457 | 1,418,554 | 4,454,228 | 1,065,529 | 915,531 | 1,461,882 | 6,967,277 | 1,853,580 | 1,924,660 | 1,139,734 | 1,212,047 | 1,584,640 | 1,006,555 | 1,556,357 | 4,482,347 | 2,706,024 | 7,568,370 | 2,510,846 | 1,208,102 | 1,207,456 | 5,373,450 | 1,604,258 | 4,317,235 | 1,483,935 | 1,407,453 | 2,417,739 | 7,070,524 |
| | New Build | 5226 | £80.50 | 25,240,196 | -101,974 | 845,899 | -60,519 | 27,237 | 256,236 | 1,877,952 | -11,610 | -92,911 | 214,629 | 3,290,919 | 354,003 | 396,387 | -39,080 | 4,128 | 215,057 | -199,372 | 110,641 | 1,747,383 | 758,850 | 3,476,838 | 550,521 | -173,360 | -170,180 | 2,159,369 | 58,708 | 1,458,467 | -119,487 | -158,181 | 409,978 | 3,011,887 |
| Discount Factor | 30 | | | 0.34 | 0.33 | 0.32 | 0.31 | 0.30 | 0.29 | 0.28 | 0.27 | 0.26 | 0.25 | 0.24 | 0.23 | 0.22 | 0.21 | 0.20 | 0.19 | 0.18 | 0.17 | 0.16 | 0.15 | 0.14 | 0.13 | 0.12 | 0.11 | 0.10 | 0.09 | 0.08 | 0.07 | 0.06 | 0.05 | |
| | 30+ | | | 0.40 | 0.39 | 0.38 | 0.37 | 0.36 | 0.34 | 0.33 | 0.32 | 0.31 | 0.30 | 0.29 | 0.28 | 0.27 | 0.26 | 0.25 | 0.24 | 0.23 | 0.22 | 0.21 | 0.20 | 0.19 | 0.18 | 0.17 | 0.16 | 0.15 | 0.14 | 0.13 | 0.12 | 0.11 | 0.10 | |
| Total (NPV) | Do Nothing | 7200 | £76.08 | 32,865,612 | 962,175 | 607,445 | 395,903 | 369,683 | 501,274 | 434,889 | 389,427 | 361,937 | 383,084 | 819,722 | 344,779 | 379,181 | 336,972 | 389,387 | 566,782 | 335,762 | 343,177 | 536,850 | 381,392 | 559,128 | 325,745 | 332,245 | 297,991 | 352,123 | 765,834 | 503,985 | 533,350 | 290,358 | 277,117 | 535,287 |
| | Refurbishment | 7200 | £80.96 | 34,972,630 | 272,203 | 824,052 | 274,783 | 312,448 | 422,449 | 1,280,054 | 295,494 | 245,010 | 377,529 | 1,736,314 | 445,763 | 446,657 | 255,241 | 261,935 | 330,470 | 202,566 | 302,250 | 840,019 | 489,376 | 1,320,811 | 422,849 | 196,334 | 189,361 | 813,206 | 234,287 | 608,426 | 201,811 | 184,710 | 306,192 | 864,098 |
| | New Build | 5226 | £19.38 | 6,076,053 | -35,020 | 280,327 | -19,354 | 8,406 | 76,308 | 539,685 | -3,220 | -24,864 | 55,428 | 820,129 | 85,133 | 91,990 | -8,752 | 892 | | | | | | | | | | | | | | | | |

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MID KENT AUDIT

CIVIC DEVELOPMENT PROJECT

DRAFT AUDIT REPORT

OCTOBER 2017

Draft Assurance Rating: **Strong**

| | | | |
|---|--------------------|----------------------|-------------------|
| Audit Code | TWBC-OR03(17-18) | Service | Civic Development |
| Audit Manager | Frankie Smith | Audit Sponsor | David Candlin |
| Auditor | Paul Goodwin | | |
| Deputy Head of Audit Partnership | Russell Heppleston | Director | Lee Colyer |



MID KENT AUDIT

Summary Report

Our opinion based on our audit work is that the Council has **Strong** controls operating over the project management, governance and budgetary control of the Civic Development project. We provide the definitions of our assurance ratings at appendix II.

We have established that the Civic Development project is underpinned by robust project management arrangements and governance structure. Our testing and review found that the Council is able to demonstrate effective project risk management, sound decision making processes and a clear communication, consultation and engagement strategy over the project.

Our review of project spend up to September 2017 identified no issues. Effective controls are operating over the management and monitoring of the Civic Development budget. Project spend is administrated in accordance with the Financial Rules set by the Council, and the delegation of authority for the approval and virement of funds into the budget.

Notable practice identified

- Risk management
- Transparency of decision making
- Breadth and quality of communication and engagement

Next Steps

As there are no priority recommendations arising from our work we will consider this report closed subject to any comments received on the draft.

Findings in Context

Our most recent audit work in this area was on the **Development Programme** in May 2016. We reported then the controls over the project management and budgetary control of the Development Programme offered **Sound** assurance. We consider therefore that there has been an increase in the controls relating to project management and budgetary control since our last review.

MID KENT AUDIT

Independence

We are required by Public Sector Internal Audit Standard 1100 to act at all times with independence and objectivity. Where there are any threats, in fact or appearance, to that independence we must disclose the nature of the threat and set out how it has been managed in completing our work.

We have no matters to report in connection with this audit project.

Acknowledgements

We would like to express our thanks to all those officers who helped completion of this work, in particular:

- David Candlin – Head of Economic Development & Property
- Diane Brady – Civic Development Manager
- Lesley Simpson – Civic Development Administration Assistant

| Audit team and contact details | Report distribution list |
|---|---|
| <p>Deputy Head of Audit Partnership Russell Heppleston (Russell.Heppleston@midkent.gov.uk)</p> <p>Audit Manager Frankie Smith (Frankie.Smith@midkent.gov.uk)</p> <p>Auditor Paul Goodwin (Paul.Goodwin@midkent.gov.uk)</p> | <p><i>Draft and Final Report</i> David Candlin – Head of Economic Development & Property Diane Brady – Civic Development Manager</p> <p><i>Final Report Only</i> Lee Colyer – Director of Finance, Policy & Development (S151 Officer) William Benson – Chief Executive</p> |

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Detailed Findings

We completed fieldwork during October 2017 to the agreed audit objectives and using the tests set out in the final audit brief dated October 2017. We include the audit brief at appendix I. We present the brief as originally agreed since we completed this review in line with original timing and budget expectations. We again thank the service for support provided to enable efficient completion of our work.

Objective 1: To document and review the governance arrangements over the Civic Development project to ensure that they are sound

| Governance area | Findings | Assessment |
|-----------------|--|------------|
| Project plan | <p>The plan for the Civic Development is set out across a number of key strategic documents including the Council's Five Year Plan (2017-2022) and the Cultural Strategy. The aims and objectives of the Civic Development project have been clearly defined and align with the Council's corporate objectives. Technical project plans are also in place to supplement the project through the RIBA Plan of Work.</p> <p>The decisions to approve the plan have been taken following the Council's governance and decision making procedures. This is at both a Senior Officer (Management Board) and Member (Full Council) level. The project plan was, and continues to be, consulted with key stakeholders, including hard-to-reach and the future generation groups such as students. Project plan information and updates are also made publically available on the Council website.</p> | Strong |

MID KENT AUDIT

| Governance area | Findings | Assessment |
|-----------------|--|------------|
| Risk management | <p>Risks for the Civic Development project have been identified at three levels: project, operational, and strategic risk. All risks identified have been recorded on a risk register, using a risk policy framework which directs that risks are assessed for impact and likelihood. Existing controls and actions have been identified for each risk, specifically to manage high level risks to an acceptable level. Risk registers are regularly reviewed and updated by the respective risk owners and reported to either the Civic Steering Group (Management Board), Leadership Board, Development Advisory Panel or Audit and Governance Committee. Risk information is available online, and also hard copies are displayed in the Members Room.</p> <p>The next full review and update of the risk registers is planned in December 2017, following the Full Council meeting which will consider whether the Council should proceed to RIBA Stage 4.</p> | Strong |
| Monitoring | <p>Progress on the Civic Development project is regularly monitored by the Civic Steering Group (Management Board), Civic Development Communications Group and the Leadership Board. Monitoring is completed against the agreed project plan and programme, timeline and the RIBA Plan of Work stages.</p> <p>Monitoring outcomes and progress reports are formally reported to Full Council at the end of each RIBA stage. The next report to Full Council is scheduled for 6 December 2017.</p> | Strong |

MID KENT AUDIT

| Governance area | Findings | Assessment |
|----------------------------|--|------------|
| Amendments to project plan | <p>In December 2015 Full Council delegated authority to the Civic Steering Group (Management Board) to allow them to, in partnership with the design consultants (GVA), make adjustments to the Civic Development programme within each of the key RIBA stages.</p> <p>Our testing established that the changes made to the Civic Development programme in 2017/18 e.g. alteration to theatre design to reduce the height of the fly-tower, was made in response to comments received from stakeholders and on receipt of pre-application planning advice. We established that changes made to the Civic Development programme are being fully considered by the Civic Project Team, approved by the Civic Steering Group and reported to Leadership Board and Full Council. We also established that all changes to the project plan are evidenced in minutes of meetings and recorded on a change register. Variation orders are also being completed for changes where it is relevant to do so.</p> | Strong |
| Strategic Project Board | <p>The Leadership Board provides the main strategic oversight over the Civic Development project. Membership of the Leadership Board is made up of Management Board and Members, Chaired by the Leader of the Council. Other Council officers attend the Leadership Board meeting as needed to present specialist information or to provide advice. Report lines between the Civic Project Team, Civic Steering Group and Leadership Board have been clearly defined and are working well in practice.</p> <p>Strategic oversight is also provided from a number of different sources; the Development Advisory Panel, Cabinet Advisory Board, Cabinet, Overview and Scrutiny, Audit & Governance and Full Council.</p> | Strong |

MID KENT AUDIT

| Governance area | Findings | Assessment |
|---------------------------|---|------------|
| Operational Project Group | <p>A Civic Development Project Team, accountable to the Civic Steering Group, has been set up to manage the day to day delivery of the Civic Development project. The Project Team is managed by the Civic Development Manager who has a wealth of project management experience on similar projects and is a fully qualified member of the Royal Institute of Chartered Surveyors (RICS). The Civic Development Project Team was recruiting for a Project Surveyor at the time of the audit. Additional specialist and technical expertise are available when required, for instance, the Project Team is currently recruiting a Project Surveyor to the team. In addition the Project Team has access to specialist consultants.</p> <p>The Civic Steering Group (Management Board), accountable to the Leadership Board, is an officer/client group and is the main decision making body during each of the RIBA stages. The Civic Steering Group is made up of the Civic Development Project Team and Management Board, with key officers attending meetings as needed. The Project Team meets with the project contractors and consultants on at least a monthly basis, and in turn then meets with the Civic Steering Group; this provides a forum for the effective communication of project updates and to allow for decisions to be made regarding the project.</p> <p>The Civic Steering Group meets on at least a monthly basis, with informal updates being reported in between where needed and all meetings are the subject of a formal agenda and minutes.</p> | Strong |

MID KENT AUDIT

| Governance area | Findings | Assessment |
|-----------------|--|----------------------|
| Project records | <p>The Civic Development Project Team maintains a comprehensive record of project documents. These records are securely stored on the Council’s network, within a shared drive and on Sharepoint, with restricted access to only relevant project officers. Our review confirms that project records are being held in accordance with the Council’s document retention policy, and we were able to obtain all of the documents needed to undertake our review. Our testing also established that there are robust controls in place to redact commercially sensitive information from project records prior to publication / circulation.</p> <p>Some project records are also held outside of the Civic Development Project Team’s shared drive and SharePoint e.g. minutes of Full Council meetings are stored by Democratic Services and the Civic Development Communication Groups records are held by the Communications Team and Head of Digital Transformation and Communication.</p> <p>At the time of the audit the Civic Development Administration Assistant was completing a house-keeping exercise to consolidate all of the records, and to organise the records held on the shared drive and SharePoint. The result of this work will further enhance the organisation and accessibility of project records.</p> | <p>Strong</p> |

MID KENT AUDIT

| Governance area | Findings | Assessment |
|-----------------|---|------------|
| Decision making | <p>In December 2015 Full Council delegated decision making authority to the Civic Steering Group (Management Board) for all project decisions made within each of the key RIBA stages. At the same time it was agreed that decisions to move between the RIBA stages would be made by Full Council.</p> <p>Our testing verified that there is a robust and transparent decision making process for the Civic Development project, both within and between the RIBA stages and all decisions examined within the audit testing had been completed in accordance with agreed procedures and delegations. Key decisions are also made available for challenge via the Scrutiny and call-in procedures. In addition, key decisions and outcomes are published on the Council's website.</p> | Strong |
| Project reports | <p>Our testing established that project updates are reported regularly to Management Board and Members through the Civic Steering Group, Leadership Board, Development Advisory Panel, Cabinet Advisory Board, Cabinet, Overview & Scrutiny, Audit & Governance Committee and Full Council. Formal reports provide updates on areas such as: budget, risks, changes to the plan and progress against the plan.</p> <p>In addition to the formal project reports, informal updates are also proactively reported to stakeholders at key stages of the project.</p> | Strong |

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| Governance area | Findings | Assessment |
|----------------------------------|--|----------------------|
| <p>Consultation / engagement</p> | <p>The Council has recently set up the Civic Development Communications Group (the Group) and appointed a Cabinet Member for Civic Development Communication. The Group is made up by key Council officers, Management Board and Members, including the Cabinet Member for Civic Development Communications, with other officers being asked to attend where relevant.</p> <p>The Group meet on a weekly basis and all meetings follow a standard agenda and action points are recorded and progress monitored. The Group has recently produced and is currently delivering a large communications programme in advance of the Full Council decision on 6 December 2017.</p> <p>Discussions with the Head of Digital Transformation & Communications (and Chair of the Civic Development Communications Group) and the Cabinet Member for Civic Development Communications during the audit established that the Council is taking a very proactive and transparent approach to the communication and engagement of the Civic Development project to ensure all stakeholders are provided with updates on the project, including those harder to reach stakeholders and future tax payers. This includes borough-wide briefing sessions, staff and member briefings and providing updates via the Council’s website and social media accounts.</p> | <p>Strong</p> |

Conclusion: We conclude as a result of our testing that there are robust project management and governance arrangements in place over the Civic Development project, with elements of notable practice in relation to risk management, transparency of decision making and the breadth and quality of consultation and engagement.

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Objective 2: To evaluate the adequacy of the internal controls over the management and monitoring of the Civic Development project budget

The Civic Development project consists of 8 streams within the Council's Development Programme, with a total budget of £5,588,630. We confirmed that allocations to these streams are approved in accordance with the delegated authorities set at each increase to the Programme budget e.g. [CAB43/13 3](#).

As at the 30 September 2017, the total budget for Civic Development project was £4,146,786, with expenditure (excluding commitments) amounting to £3,876,669.

We found responsibility for Civic Development budget is clearly defined and that regular reports, detailing the progress against budget, are made to officers and Members, through the various governance and project groups as outlined earlier in the report. In addition, there is a regular schedule of meetings between the Head of Economic Development and the Accountancy Manager with regard to the detailed budget monitoring of the project.

Our testing of a sample of payments made since 1 April 2017 confirmed that project expenditure is processed in accordance with the Council's Financial and Contract Procedure Rules.

Conclusion: We conclude as a result of our testing, that there are effective controls over the management and monitoring of the Civic Development project budget.

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Appendix I: Audit Brief

About the Project

In November 2015 Tunbridge Wells Borough Council agreed to move forward with the project to build new Council office accommodation at Mount Pleasant Avenue car park and a new theatre at Great Hall car park. This ambitious project is set out under the Council's corporate priorities (2017/18) under 'a **prosperous borough**' and within the Planning Framework which was adopted by Full Council on 27 September 2017.

The Council is in the process of developing a funding strategy to enable the Civic Development project to be delivered. This funding strategy will involve delivering a financial package of £2.4m to facilitate borrowing in the region of £70m.

The project is currently at RIBA (Royal Institute of British Architects) Stage 3 which is due to be completed in September 2017.

In December 2017 Full Council will be provided with an update on the project including updates on the design, financing and procurement arrangements for the project.

The Council's Development Programme includes the Civic Development Project as one of its strategic risks. This risk is currently assessed as high impact and severe likelihood which places the risk into the red quadrant of the Council's Strategic Risk Profile.

The Civic Development project is governed by a number of strategic and operational project groups and the project falls under the **Leader of the Council's** portfolio and the recently created **Cabinet Member for Civic Development Communications..**

| Key Contacts | |
|----------------|---|
| David Candlin | Head of Economic Development & Property |
| Diane Brady | Civic Development Manager |
| Lesley Simpson | Admin Support Officer |

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About the Audit

This audit has been requested by the Head of Economic Development and Property to provide assurance over the Civic Development Project before Member approval is sought to proceed to the next phase of the project.

The main aim of this audit is to assess the adequacy of the governance arrangements over the Civic Development project and to assess the adequacy of controls over the Civic Development project budget.

Our findings in this review will contribute towards the internal controls aspect of the Head of Audit Opinion, to be issued in June 2018.

Evaluation Criteria

Management currently base their assessment on performance of the Civic Development project against the following:

- Civic Development project plan
- Prince II project management methodology
- Royal Institute of Architects (RIBA) 'Plan of Work'
- The Council's Constitution
- The Council's Contract Standing Orders and Financial Procedure Rules

We are satisfied these are appropriate criteria and so will in our review use the same to guide our review. In addition, we will use the project management health-check which has been used to assess previous corporate level projects.

Audit Objectives

1. To document and review the governance arrangements over the Civic Development project to ensure that they are sound
2. To evaluate the adequacy of the internal controls over the management and monitoring of the Civic Development project budget

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Audit Scope

1. Civic Development project records - including transparency of records
2. Strategic project team
3. Operational project team
4. Roles, responsibilities and reporting lines
5. Project resources, including skills and resources
6. Risk management
7. Decision making, including transparency of decision making
8. Change management
9. Consultation / communication plan
10. Monitoring of Civic Development project
11. Project monitoring reports
12. Civic Development budget management arrangements – including transparency
13. Civic Development project expenditure

Audit Testing

1. Discussions with the Civic Development Project Manager and Accountant
2. Interviews with strategic officers and key Members
3. Review of project management records and key decision papers
4. Attendance at project management meetings and review of project management meeting records
5. Review a sample of key decisions made on the Civic Development project since 01 April 2016 to determine compliance with the Council's Constitution (delegated decisions)
6. Review of Civic Development budget (2016/17 and 2017/18)
7. Testing on a sample of 10 invoices paid since 01 April 2017 to assess compliance with the Council's Contract Standing Orders and Financial Procedure Rules

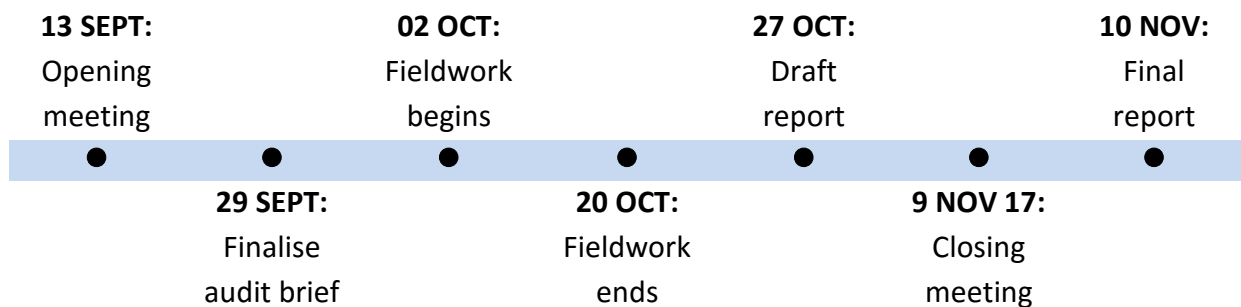
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Audit Resources

Based on the objectives, scope and testing identified we expect this review will need **12 days** of audit time, broadly divided as follows:

| Audit Task | Auditor/s | Number of Days (Projected) |
|----------------------|------------------------------------|----------------------------|
| Planning | Frankie Smith | 2 |
| Fieldwork | Frankie Smith / Paul Goodwin | 7 |
| Reporting | Frankie Smith / Russell Heppleston | 1.5 |
| Supervision & Review | Frankie Smith / Russell Heppleston | 1.5 |
| Total | | 12 |

Audit Timeline



Resources required by audit

| Documents required |
|---|
| Civic Development project records |
| Civic Development invoices |
| Systems access |
| Civic Development SharePoint folder |
| Civic Complex Development shared folder |

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Appendix II: Assurance & Priority level definitions

Assurance Ratings

| Full Definition | Short Description |
|---|---|
| <p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.</p> | Service/system is performing well |
| <p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p> | Service/system is operating effectively |
| <p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p> | Service/system requires support to consistently operate effectively |
| <p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p> | Service/system is not operating effectively |

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Recommendation Ratings

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council’s aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

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Tunbridge Wells Borough Council



Review of the Civic Development Project October 2017



Contents

| | Page |
|---|-------------|
| 1. Executive Summary | 1 |
| 2. Methodology and Terms of Reference | 4 |
| 3. An assessment of the key financial assumptions underpinning the scheme | 5 |
| 4. Review of the funding strategy, income and savings initiatives | 12 |
| 5. Explore alternative contingency planning | 14 |
| 6. Opinion on the completeness of reports to members, reflecting fairly the advice of the council's retained cost consultants | 15 |
| 7. Provide advice to the statutory officers on the planned approach to financial governance over the life of the scheme. | 16 |
| 8. Conclusions and Recommendations | 17 |
| 9. The CIPFA Team | 18 |
| 10. Meetings Held | 19 |



1. Executive Summary

- 1.1.** The review was undertaken at the point of receipt of the draft RIBA stage 3 Report from GVA consultants on the Civic Development in October 2017. This enabled the assessment to review both the approach to date and to advise on the work required prior to a report being made to Council in December 2017.
- 1.2.** Although some key documents had not yet been completed it was felt the correct balance had been chosen as to timing the review so that any advice could be taken on board well in advance of the Council meeting.
- 1.3.** A significant economic development investment of this size is unusual in the current climate of financial austerity. Tunbridge Wells have not been exempt from financial pressures and will not receive any revenue support grant from government from 2018/19. They are currently in a comparatively strong financial position through sensible and effective financial planning. The ambition and thus borrowing needed underpinning the planned investment is undoubtedly significant in relation to the council's net budget.
- 1.4.** The council starts from a relatively low amount of debt, however even after the planned borrowing after the planned investment in 2022 its level of external debt will not be unusual compared to other district councils. The financing costs of the loan will however be a significant proportion of their net revenue budget, approximately 20%.
- 1.5.** The council have a clear and managerially deliverable recurring savings strategy to offset the additional debt financing charges involved. This means they retain financial sustainability going forward; albeit with inevitably less flexibility that comes from funding circa £77m of debt.
- 1.6.** Additional income of £556k pa from leasing two floors of the new office accommodation will complete the funding for the loan. CIPFA have not independently assessed the accuracy of this figure only that it appears reasonable and appropriate steps appear to have been taken to determine the demand.
- 1.7.** The CIPFA team were impressed by the council and many aspects of their approach to the project, it has all the aspects of successful delivery, in particular:
- Vision
 - Ownership/Commitment
 - The retained architects, GVA are of high quality and are supplemented by an experienced in-house team



- The quality and thoroughness of pre-tender work on delivering the build
 - Savings strategy – appears deliverable
 - Prudent financial planning approach
 - The involvement and approach of the Director of Finance, Policy and Development
- 1.8.** The nature of a build project of this size circa £90m (including development work to date) is that it has some significant inherent risks. Although these cannot be completely avoided the council were well aware of these and appear to have taken actions to control them
- 1.9.** The council have undertaken significant due diligence in advance of tendering the work. The CIPFA team on site, based on their experience of other major projects, were very impressed with both of the quality of the design work prior to tender in terms of both approach and thoroughness in the context of the project aims and site preferred.
- 1.10.** The future running costs of the proposed new theatre have been considered in detail. However, other revenue implications of the project have had comparatively less analysis, eg the new offices. Although from a financial planning perspective an extremely prudent approach has been taken, indicating a high level of contingency. The capital receipt from selling the existing site has also had less analysis due no doubt to predicting actual precise values three to four years in the future.
- 1.11.** There is a need for a one-off revenue contingency to be set-aside over the next four years, prior to the new buildings becoming operational. In particular the new Theatre is anticipated to run at a significant deficit above the current level of subsidy in its first few years. There is a clear strategy to deliver the contingency by setting aside planned recurrent savings in advance of having to repay debt. This strategy will need to be clearly documented and controlled.
- 1.12.** The council have used specialist consultants on the build project especially to help them reach this point, adding to the level of confidence. They are also reliant on a number of key staff. If the project is approved in December 2017 they need to ensure that more of the future work is “main-streamed” into the organisation with appropriate investment made to capacity to ensure improved resilience.
- 1.13.** CIPFA recognise the strong intuitive appraisal in favour of both new offices and the new theatre but this needs to be more clearly documented in the report to Council. The development overall is a place shaping cultural investment. VFM rightly concerns ‘effectiveness’ as much as ‘economy’. Officers are advised to set out as clearly as possible the place shaping benefits hoped for. From a more narrow view of ‘economy’, the scheme does not pass a financial value for money test in that the new income and charges will not cover the cost of the loan which will mostly be met from additional savings.



1.14. The Core financial assumptions and financial governance arrangements appear reasonable and sound.

1.15. We would like to thank those we interviewed and the staff who supported us for their welcome, openness and cooperation in carrying out this work in such a short timeframe.



2. Methodology and Terms of Reference

2.1. The Director of Finance, Policy and Development (s151 Officer) commissioned CIPFA to undertake an independent review of the proposed Civic Development project. The aim being a report to an all member briefing on 2nd November 2017 and the Audit Committee on 21st November 2017. The work was undertaken by two experienced Finance Directors/Chief Financial Officers.

2.2. The review was agreed to include:

- An assessment of the key financial assumptions underpinning the scheme
- Review of the funding strategy, income and savings initiatives
- Explore alternative contingency planning
- Opinion on the completeness of reports to members, reflecting fairly the advice of the council's retained cost consultants
- Provide advice to the statutory officers on the planned approach to financial governance over the life of the scheme.



3. An assessment of the key financial assumptions underpinning the scheme

3.1. Medium term financial planning

- 3.1.1. The council has been sensible in considering the new funding requirement's as part of its overall MTFP to 2022/23 and beyond. CIPFA have reviewed the overall plan assumptions for reasonableness, particularly planned savings.
- 3.1.2. 2022/23 is beyond the government's published CSR period and a new Parliament will be in place at this point. The biggest risk to the MTFP is whether negative Revenue Support Grant (RSG) of £600k in 2019/20 will continue. The council have assumed it will not based on advice. However, it remains a risk and additional savings would need to be identified if this reduction in resources recurred in 2020/21 and beyond, with inevitably reduced scope due to the increased debt financing costs of the scheme.

3.2. Overall Project Cost

- 3.2.1. As the scheme has developed initial estimates of project costs have increased significantly in line with changing and expanded vision; not least for the project to be delivered on the Great Hall car park site. The figures examined by the CIPFA team for the project are at RIBA stage 3 and have been prepared by an experienced team of architects, GVA. Key staff, particularly the Theatre Manager and external experts have been used to ensure the specification for the project is accurate. As such there is a high degree of confidence that there will not be major, costly, changes to the build specification once the scheme is let.
- 3.2.2. Although complex and the development requires demolition of two car parks, it is essentially a new build which generally are less risk in comparison to refurbishment schemes.
- 3.2.3. Given the size, location and approach to the scheme it is anticipated that the council will receive a high level of interest from builders and as such receive a competitive price. However this is contingent on the scheme running to plan, delays in starting the project could well mean inflationary increases. The scheme will also be subject to exchange rate risk prior to letting which is higher than normal due to Brexit negotiations over the next few years. An element of contingency has been allowed for this.
- 3.2.4. The overall cost of the scheme, including that spent to date is estimated to be approximately £90m. The council have been prudent in funding development costs



of £4m prior to tender from revenue. There is an assumption that £9m will be obtained from the current site in order to fund the project, which together with revenue contributions reduces estimated borrowing for the scheme to £77m.

3.3. Value of the current civic site

3.3.1. The site has been subject to soft market testing and is in a prime location for development. Based on that work the council feel a reasonable estimate has been made of potential sale proceeds of £9m. However disposal represents a significant risk in that potential buyers will not have done detailed site assessments until the council has further progressed with its intention to build replacements and achieved planning.

3.3.2. **Undoubtedly the scale and/or timing of the receipt is a risk and as a result the council are advised to model scenarios and contingencies on their underpinning borrowing strategy.**

3.4. Theatre Business case, future income and cost projections

3.4.1. Specialist advisors Bonnar Keenlyside have been used to prepare a business case for the Theatre with the Theatre Manager. The calculations and financial assumptions have been challenged for reasonableness.

3.4.2. A summary of the projections are set out below to year five

| Tunbridge Wells new theatre - projected budget | | | | | | |
|--|---------|--------------|---------|---------|---------|---------|
| | BUDGET | Soft opening | | | | |
| | 2021/22 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Summary | £000 | £000 | £000 | £000 | £000 | £000 |
| Income | 2,633 | 4,562 | 6,187 | 7,061 | 8,548 | 9,209 |
| Variable costs | (1,488) | (3,227) | (4,172) | (4,782) | (5,861) | (6,294) |
| Gross Profit | 1,145 | 1,335 | 2,015 | 2,279 | 2,687 | 2,915 |
| Fixed costs | (1,391) | (2,517) | (2,642) | (2,685) | (2,766) | (2,933) |
| Net Profit/(loss) | (246) | (1,182) | (627) | (405) | (79) | (17) |

3.4.3. The projections of income growth to year five appear to be realistic, using Theatres of comparable size, for example Norwich for number of productions and average proportions of seats sold.

3.4.4. Assumptions of costs, particularly for on-going maintenance are based on RIBA estimates but are unlikely to be spent in the first five years as the Theatre will be new so an element of contingency is apparent.



- 3.4.5. The results show a break-even position by year five which is well within the council's budgeted subsidy of £350k pa. As such the financial allowance is prudent and can be reviewed after a few years of operation.
- 3.4.6. After year five it has been anticipated that income will continue to grow to produce a surplus, £283k pa at year eight. This could well be achieved but should certainly not be assumed at this stage or in considering the overall decision to proceed with a new Theatre. These are set out below and show a more optimum level of income.

| Tunbridge Wells new theatre - projected budget | | | |
|--|---------|---------|---------|
| | Year 6 | Year 7 | Year 8 |
| Summary | £000 | £000 | £000 |
| Income | 9,825 | 10,441 | 10,466 |
| Variable costs | (6,723) | (7,157) | (7,157) |
| Gross Profit | 3,102 | 3,284 | 3,309 |
| Fixed costs | (2,981) | (3,025) | (3,026) |
| Net Profit/(loss) | 121 | 259 | 283 |

3.5. Business case for office and car park

- 3.5.1. An updated detailed business case is in preparation following receipt of the draft RIBA stage 3 report. CIPFA discussed the overall strategy with the Leader and council officers. There is a lack of office space in Tunbridge Wells and for its longer term sustainability, building quality office accommodation near the station is sensible. However all this needs to be set down into a formal document to support the formal decision making process.
- 3.5.2. The current offices are unsuitable for modern working and require refurbishment. The cost of this is estimated by GVA at £14.9m, however this would not increase the value of the premises by this amount. In addition to the refurbishment cost of this option the council would need to decant and find alternative office accommodation whilst the works are undertaken, this is estimated by the council to cost £4.3 million in total over a four year refurbishment timeframe.
- 3.5.3. The disposal of the offices, together with the theatre are estimated by the council to provide a receipt of £9m, more than the build cost of the proportion of office space to be used by the council of approximately £6m. Costs of occupying the new offices may well be more than current ones, however this can be set against the



increase in business rates gained from the additional business rates which the council will retain an element of.

3.5.4. If the offices were viewed in isolation, with the Theatre not considered, the council's borrowing strategy would have taken account of using its own reserves to internally borrow rather than externally borrowing the whole sum required. As such any business case for the office could reasonably assume this.

3.5.5. A more detailed case will need to be prepared for the December 2017 Council decision which CIPFA can give an updated view on.

3.6. Adequacy of transition budget

3.6.1. The council will incur a number of additional, one-off revenue costs in implementing the project and in transition, above that included in the capital estimates. Officers have been sensible in considering what these could be and have put a funding strategy in place, achieving savings early which will give a transition budget of £3.2m if delivered to the timings anticipated.

3.6.2. There has been a reasonable assessment of the additional subsidy, above that budgeted, that will be required to run the new Theatre. This additional cost will be because all staffing will need to be in place before the Theatre is at capacity. The majority of this will be in year one but is estimated to be £1.2m, leaving £2.0m for other transition costs.

3.6.3. The council will need to consider what additional development/transition costs post planning and tender award will be required. All subject of course to Member's decision on the project going forward.

3.6.4. These costs need to be more accurately set out and will include:

- Additional Theatre Subsidy for first three years of opening
- Additional Loan charges while current site is sold
- Additional costs of running both sites in transition
- Moving costs to new building and fitting out
- Vacant period for new offices for let to private sector
- Loss of car parking income
- Other transition costs



3.7. Inherent Risks – scheme slippage and/or cost

3.7.1. No matter what the prior planning and management no scheme of this size and complexity is without risk of slippage in terms of time and cost. Projects such as this rarely underspend but there are lots of examples of unforeseen events leading to time delays and cost increases. As the only funder, those risks that cannot be included in the contract with the builder will fall to the council and will increase overall costs. The council, as well as making robust plans for delivery has been prudent in how it's funding assumptions for the scheme and if necessary within reason could cope with unforeseen events.

However, going from effectively debt free to funding long term debt of £77m on current projections undoubtedly reduces the flexibility of any district council to cope with shocks in the future, but this council's current financial position is strong and its finances are well led.

3.8. Borrowing Strategy

3.8.1. The council currently have minimal borrowing which is unusual for local authorities. However, the loan proposed and overall costs of capital are not out of step with the average for districts and can be measured not just against this investment but the rest of the council's asset base.

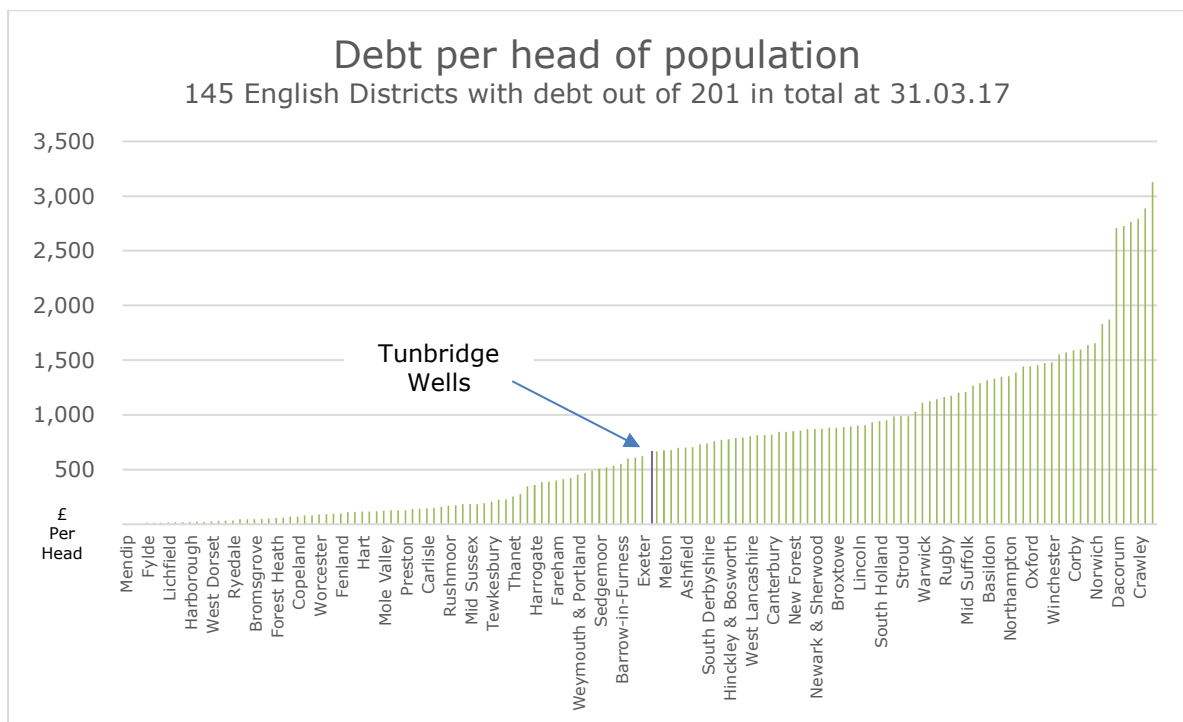
3.8.2. Understandably there is nervousness about interest rate risk and currently it has been assumed in financial projections that the £77m cost will be borrowed at a fixed rate of 2.75% over 50 years as an annuity. The cost of this, £2.8m pa has been budgeted for in financial plans.

3.8.3. There is a risk of interest rate movement up to 2022 and the draw-down of the full borrowing required. The council will need to produce a special funding strategy for the short term to 2022 as distinct from its longer term strategy. It should develop this with its specialist treasury advisors and is right to avoid excessive costs of carry in advance of actual need as the project progresses to completion. In addition, the council will need to be realistic about the timing of its hoped receipt and there is a strong probability of a mismatch at least over a relative short time period with the likelihood of the council having to fund the full scheme (at £85m) in advance of the receipt.

3.8.4. Although borrowing in one tranche is risk free this does not necessarily represent the best value for money for the council and a more managed approach is being considered with advice from the council's treasury management advisors.



- 3.8.5. A more balanced approach could be to borrow less than the full amount over 50 years, with the balance borrowed more flexibly over shorter periods at lower interest rates. This could reduce the revenue pressure on the council or reduce the overall loan period, thus saving significant interest payments of £m's over the long term. Using short term borrowing and the council's current resources while watching market rates and taking advice from Treasury Management specialists could be a sensible approach.
- 3.8.6. Based on the work done, the proposed plans are in line with both the current Prudential Code and the likely changes that will be introduced from 2018/19 which is to be commended.
- 3.8.7. The increase in the council's borrowing is reasonable in comparison to its overall asset base. Tunbridge Wells is shown in the graph below with £77m of debt (the blue bar) and how this would compare with other English district councils per head of population. With the increased debt it would have the 73rd highest level of debt per head of population rather than being one of the lowest. However it is not possible to determine how much of the other council's debt relates to invest earn projects as opposed to that relating to council assets not generating a return.



56 of the 20 English non-metropolitan districts have no debt, the graph above excludes these. Spelthorne and Woking are also excluded as their exceptionally high debt levels skew the shape of the graph.

3.8.8. The capital financing costs of the borrowing will however be a significant proportion of the council's future net revenue budget, approximately 20%.



4. Review of the funding strategy, income and savings initiatives

4.1. Savings Strategy

4.1.1. The council's saving strategy has been agreed by its Leadership Board but will need to be agreed by Members. CIPFA consider all of the savings managerially deliverable and reasonable in the current financial climate. They are similar in nature to those achieved by other councils. The inevitable caveat is future local political decision making, as in isolation some of the savings will not be seen as neutral or non-contentious.

4.1.2. Summary of savings proposed

| Saving Proposed | £000s |
|---|--------------|
| Garden waste collection charging | 700 |
| Community groups and environmental grant alternatives | 280 |
| Review of development programme resources | 500 |
| Increased share of business rates | 300 |
| Re-locate Weald Information Centre to Hub | 40 |
| Project Executive savings | 100 |
| Senior Management savings (Achieved April 2017) | 120 |
| Pension reserve contribution ends | 250 |
| Total | 2,290 |

4.1.3. Additional income of £556k pa from leasing two floors of the new office accommodation will complete the funding for the loan. This is based on 20,200 sq ft @ £27.50 per sq ft. This is a net rent there will be service charges and other costs chargeable in addition to this. GVA expect this type of office to then have compounding rental growth of 2.5%. This is on the basis of soft market testing with a completion date of 2020/21 as the office will be completed before the theatre. CIPFA have not independently assessed the accuracy of this figure only that it appears reasonable and appropriate steps appear to have been taken to determine the demand.

4.2. Garden Waste Charging £700k income

4.2.1. Tunbridge Wells is unusual in not charging for garden waste collection. The charge budgeted for of £30 pa for each household choosing to use the service is reasonable and less than other council's charge. It is considered deliverable as part of the introduction of the new waste collection contract.



4.3. Community groups and environmental grant alternatives £280k

4.3.1. This has been considered sensibly and will be done in a staged way in discussion with community groups but will not be without contention. The Tunbridge Wells lottery, recently introduced gives some alternative funding opportunities to some groups to help mitigate the financial impact felt.

4.4. Review of development programme resources £500k

4.4.1. The council, anticipating a high level of development have included a recurring £500k pa for these resources, both internal and external. After the project is delivered the budgeted resources can be reduced or allocated against investment projects with a return. The assumption is realistic but given the importance of the resource to the project it will need to be managed carefully as part of transition to realise the saving.

4.5. Increased share of business rates £300k

4.5.1. This a reasonable assessment of the increase that will be incurred from the development in the borough already planned. It is likely to increase significantly above this by 2022 if other projects come to fruition, eg the old cinema site. The risk any reset of business rates may mean Tunbridge Wells may lose an element of their growth via an increased tariff before 2022 if the 'Fair Funding Review nationally goes ahead and is implemented.

4.6. Re-locate Weald Information Centre to Hub £40k

4.6.1. The relocation appears low risk and the sum immaterial in the context of the overall savings.

4.7. Project Executive savings £100k

4.7.1. Included in the revenue budget and will be realised at the end of the project.

4.8. Senior Management savings £120k

4.8.1. The senior management team was reduced in 2016/17 and the savings already achieved.

4.9. Pension reserve contribution ends £250k

4.9.1. This saving has already been delivered.



5. Explore alternative contingency planning

5.1. Impact on future ambition

5.1.1. The financing charges on the increased debt will commit a large proportion of the council's net revenue budget from 2022/23, approximately 20%. With the majority of the council's spend committed to statutory services such as waste collection and planning, this leaves limited resource available for other council funded projects or investment.

5.2. Organisational Capacity and single points of failure risk

5.2.1. The council, due to its size has limited overall capacity. This contributes to the risk of "single point of failure" for key individuals, particularly for this project. It has been sensible in sharing service provision to increase resilience. However, although having quality staff that are delivering the council's ambitions it needs to reduce its reliance on key staff by sharing knowledge and key tasks more.



6. Opinion on the completeness of reports to members, reflecting fairly the advice of the council's retained cost consultants

- 6.1.** The council has been very open in sharing appropriate information with members and the public and has been receptive to challenge.
- 6.2.** The council leadership does however need to be very careful in its use of language in seeking to explain complex financial information as simply as possible. For example when referring to components of the project in isolation such that the new car park will be self-financing.
- 6.3.** For the car park to be self-financing the business case will have to demonstrate that the additional income from increased patronage and premium charging over existing council car parks will be higher than the loan charges over the period.
- 6.4.** The new car park is considered a necessity to provide for users of the new theatre and offices and therefore cannot be viewed in isolation to these other components.
- 6.5.** We also advise the Director of Finance to separately justify GVA's statements of financial payback in their RIBA reports.

6.6. Report to December 2017 Council

6.6.1. The report to Council in December 2017, in order to be complete, needs to fully evidence the decision, consolidating key information and strategies already in the public domain. Particularly to evidence value for money from an overall economic perspective, linking to Council objectives and financial benefits. This needs to include, but should not be limited to:

- Links to the Economic development strategy regarding the need for office accommodation.
- A comparison of outcomes financially for refurbishing the current Theatre, letting it close or the proposed move.
- Business case for the office remaining in its current location, including the costs of refurbishment and the proposed move
- Car Park business case, which is a necessity for delivering the Theatre and office moves and maintaining car parking spaces in the town.
- An explanation as to why costs have changed from initial, high level estimates made prior to detailed work by GVA which has now been completed.
- The gross cost of scheme and how it is made up and financed.



7. Provide advice to the statutory officers on the planned approach to financial governance over the life of the scheme.

- 7.1.** If approved the financial governance and monitoring of the scheme will be crucial to ensure its success.
- 7.2.** The council is planning to employ its own, experienced “clerk of works” for the scheme. This is eminently sensible but needs to be supplemented by appropriate finance resource, both on monitoring and controlling costs of the project and ongoing revenue costs of the constituent elements.
- 7.3.** Monitoring reports will need to be included in the budget monitoring reports to cabinet.
- 7.4.** A board, including the Leader, the Chief Executive, Director of Finance, Policy and Development and the Civic Development Manager needs to receive regular reports on progress of the development.
- 7.5.** A project team and board will need to be established to ensure the success of the office move, ensuring staff are engaged and that cultural change of new ways of working are adopted.



8. Conclusions and Recommendations

- 8.1.** The development overall is a place shaping cultural investment. VFM rightly concerns 'effectiveness' as much as 'economy'. Officers are advised to set out as clearly as possible these benefits. From a more narrow view of 'economy', the scheme does not pass a financial value for money test in that the new income and charges will not cover the cost of the loan which will mostly be met from finding off setting savings.
- 8.2.** CIPFA commend the efforts and process on the build project pre tender and pre planning.
- 8.3.** We recognise the strong intuitive appraisal in favour of both new offices and new theatre, but this needs to be more clearly documented in the report to Council.
- 8.4.** The key advisors appear highly competent and credible
- 8.5.** The core financial assumptions and financial governance arrangements appear reasonable and sound
- 8.6.** The council need to document more clearly how the development of the Theatre achieves value for money by achieving its cultural, economic growth and place shaping ambitions.
- 8.7.** Abandoning the scheme is neither cost or risk free, with large investments required for the current Theatre and offices if the scheme does not progress. These costs need to be clearly documented, with the resultant ongoing revenue costs as a comparison to the new development.
- 8.8.** There are inevitably going to be large costs of transition, some have been calculated and by achieving savings in advance of 2022/23 a sum of circa £3m can be set-aside to cover them. These costs need to be more accurately set out.
- 8.9.** The scale and/or timing of the receipt for the current premises is a risk and as a result the council are advised to model scenarios and contingencies on their underpinning borrowing strategy.



9. The CIPFA Team

9.1.1. Sean Nolan CPFA, BA, Director of Local Government & Policing CIPFA. Overall Director for this assignment.

9.1.2. Sean Nolan is CIPFA's Director of Local Government, during which time he has been central to the shaping of the organisation's policy in areas such as 100% retention of business rates. Before joining CIPFA, Sean spent four years as the Chief Finance Officer in the Office of Kent's Police and Crime Commissioner (OPCC), where he oversaw a period of financial transition. He was a central part of the team that garnered praise from Her Majesty's Inspectorate of Constabulary (HMIC), which last year pronounced Kent Police's financial sustainability as 'outstanding'.

9.1.3. Sean has 30 years' experience in public finance roles and prior to the OPCC, he spent over 16 years as treasurer for Buckinghamshire and East Sussex County Councils respectively. At East Sussex he also served as Deputy Chief Executive with the wider responsible for the broader resource portfolio covering ICT, procurement and property. In his time with East Sussex Sean was financial lead for major regeneration and directed the capital planning process. Sean is a former President of the Society of County Treasurers, (SCT), The Police and Crime Commissioners Treasurers Society (PACCTS) and the Association of local Authority Treasurer Societies (ALATS). He has also served as Financial Advisor to Parliament's Communities and Local Government Select Committee and been a core advisor to the English Local Government Association. Sean will provide oversight of all aspects of this project.

9.2. Peter Robinson. CPFA, MBA, CIPFA Associate

9.2.1. Peter is an experienced Director of Resources and section 151 Officer, working in these roles for eight years at two unitary council's; Bristol a large city with a 450k population and Herefordshire, a rural council that was facing extreme financial challenges before he arrived.

9.2.2. He has a wide range of experience but of particular relevance to this assignment is his work on capital planning, investment and economic regeneration, for example, in Bristol the Colston Hall refurbishment, the new Museum of Bristol and a successful office refurbishment and consolidation programme.



10. Meetings Held

Officers

- | | |
|-----------------------|---|
| • William Benson | Chief Executive |
| • Lee Colyer | Director of Finance, Policy and Development |
| • Paul Taylor | Director of Change and Communities |
| • John-Jackson Almond | Theatre Director |
| • Nicky Carter | Head of Human Resources |
| • Jane Fineman | Head of Finance and Procurement |
| • Diane Brady | Civic Development Manager |
| • Ian Hirst | Head of Digital Services and Transformation |
| • Gary Stevenson | Head of Environment and Street-scene |
| • David Candlin | Head of Economic Development and Property |

Members

- | | |
|--------------------------|--|
| • Councillor David Jukes | Leader of the Council |
| • Councillor Tracy Moore | Portfolio holder for Civic Development |



Quality standards and controls

CIPFA is BS EN ISO 9001:2000 and 14001:2004 Quality Management and Environmental systems standard accredited. The ISO 9001:2000 standards are based around the principles of customer satisfaction, continual improvement and the development of a process based quality management system.

All CIPFA report-based projects are subject to a peer review process as part of our commitment to Quality Assurance. We apply a range of project controls, quality assurance, toolkits, best practice, programme and project management including best practice as embodied in OGC's programme management, PRINCE2 and the management consultancy statement of best practice.



Exempt Appendices to Civic Development Delivery (Item 6)

It is proposed that, pursuant to section 100A(4) of the Local Government Act 1972 and the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for specific appendices relating to item 6, on the grounds that they may involve the likely disclosure of exempt information as defined in Part I, Schedule 12A of the Act, by virtue of the particular paragraph shown on the supplementary pack and on the appendices themselves, namely: Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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of the Local Government Act 1972 (as amended).

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