

Is the final decision on the recommendations in this report to be made at this meeting?

**Yes****Calverley Square Delivery Stages 5 - 7**

<b>Final Decision-Maker</b>	Full Council
<b>Portfolio Holder(s)</b>	David Scott – Portfolio Holder for Property, Major Projects and Strategic Engagement
<b>Lead Director</b>	Lee Colyer – Director of Finance, Policy and Development
<b>Head of Service</b>	David Candlin – Head of Economic Development and Property
<b>Lead Officer/Author</b>	David Candlin – Head of Economic Development and Property
<b>Classification</b>	<b>Part Exempt</b> 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.
<b>Wards affected</b>	All

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

1. That, given the importance of culture and leisure to the town's economy and social environmental and economic wellbeing, and in recognition of the planned growth to the Borough's population, this Council endorses the principle that it wishes to provide a theatre that meets the needs of residents, visitors and producers.
2. That Full Council endorse that the project designed to RIBA Stage 4 (Technical Design) (in accordance with Full Council, Decision FC50/17 on 6 December 2017 and all relevant Cabinet and delegated decisions) be approved for funding and delivery.
3. Full Council approve:
  - a. an additional gross budget of £18m for the delivery of the Calverley Square scheme and delegates to the s151 Officer in consultation with the Portfolio Holder for Finance and Governance to determine the sources of funding to deliver the scheme.
  - b. the use of the Calverley Square Reserve to ensure the successful delivery of the Calverley Square scheme and delegates to the s151 Officer in consultation with the Portfolio Holder for Finance and Governance the management of receipts and payments from the reserve.

- c. the Council entering into the second stage of the Design and Build contract with Mace to progress the development to completion and delegate all related necessary steps to the Head of Economic Development and Property, S151 Officer and Monitoring Officer, in consultation with the Portfolio Holder for Property, Major Projects and Strategic Engagement and Portfolio Holder for Finance and Governance.
4. That the Head of legal services be authorised to complete all legal formalities as are necessary and incidental to the recommendations in this Report and to the decisions referred to in paragraph 1 of this Report and to negotiate, execute and complete all necessary agreements and deeds arising from or ancillary or incidental to the delivery of the Calverley Square scheme.
5. Full Council declare the Civic Complex (Town Hall, Assembly Hall Theatre, 9-10 Calverley Terrace and associated car park) surplus and delegate to the Head of Economic Development and Property and S151 Officer, in consultation with the Portfolio Holder for Property, Major Projects and Strategic Engagement and Portfolio Holder for Finance and Governance to:
  - a. Undertake the internal procedural steps required to enable the Civic Complex to be treated as surplus to requirement at the appropriate time.
  - b. Further investigate and refine a placeshaping proposal for the disposal and redevelopment of the Civic Complex bringing a report(s) on the final approach and valuation for decision/s at Cabinet prior to completion of the approved Calverley Square development;
  - c. Enter into formal discussions with the Police and Crime Commissioner for the acquisition of or partnership arrangements to enable the Police Station to be brought forward as part of the Civic Complex.
6. That Full Council delegate authority to the Head of Economic Development and Property, and S151 Officer, in consultation with the Portfolio Holder for Property, Major Projects and Strategic Engagement and the Portfolio Holder for Finance and Governance (on behalf of the Council as land owner) to:
  - a. resolve that the Council's interests in the land within the development site and such minor areas of ancillary land adjoining or adjacent to the development site be appropriated for planning purposes under Section 122 of the Local Government Act 1972 and such other relevant legislation and to delegate the making of all necessary preparation to effect such appropriation.
  - b. develop a detailed fundraising strategy and action plan for Calverley Square bringing forward a report/s for decision/s at Cabinet.
7. In approving the scheme that the Development Advisory Panel will be engaged on a formal schedule of dates during the delivery of the work.
8. That Full Council note:

- a. 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;
- b. The Equality Impact Assessment.

**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.

<b>Timetable</b>	
<b><i>Meeting</i></b>	<b><i>Date</i></b>
Management Board	27 August 2019
Discussion with Portfolio Holder	27 August 2019
Finance and Governance Cabinet Advisory Board (with Planning and Transportation CAB and Communities and Economic Development CAB)	5 September 2019
Cabinet	12 September 2019
Full Council	25 September 2019

# Calverley Square Delivery Stages 5 - 7

## 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 6 December 2017 approved the Council progressing the Calverley Square scheme to delivery:
    - Office
    - Theatre
    - Underground Car Park
    - Public Realm
  - 1.3 The Calverley Square scheme 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 scheme will accrue not to the Council as the funder but to those who live and work in, and visit the Borough.
  - 1.4 The reports cover the work undertaken during RIBA Stage 4 including the technical design and site assembly work. They summarise the design elements for Stage 4 of the office, theatre, underground car park and public realm including the procurement of the contractor and subcontractors to deliver out the scheme.
  - 1.5 Further the reports cover the existing Civic Complex and the proposed strategy for its disposal to ensure best consideration having regard to the historic integrity of the buildings and their locational and social significance in the Town. The potential placeshaping uses of the Town Hall and Assembly Hall Theatre have been investigated by Avison Young on behalf of the Council and these are outlined in the reports.
  - 1.6 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 highlights the independent review by Grant Thornton on the reasonableness and regard to statutory duty of the Council’s decisions on Calverley Square.
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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 4

(Technical Design). It builds on the work carried out during RIBA Stages 0-1 (Strategic Definition, Preparation and Brief), Stage 2 (Concept Design) and Stage 3 (Detailed Design) for the scheme based on the Mount Pleasant Avenue and Great Hall car parks on the western edge of Calverley Grounds as shown in the location plan in Appendix A. Each stage and the movement between stages has been subject to decisions at Full Council meetings. The completion of RIBA Stage 4 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 Calverley Square scheme is the future of the Civic Complex and associated buildings as shown in the location plan in Appendix A. Work has been ongoing to establishing the placeshaping opportunity for these buildings to ensure they are an active part of the overall development.
  - 2.3 This work has been supported by broader consideration of the approach to construction, design and tender development and developing the financial package necessary to deliver the scheme. Throughout the development of the Calverley Square scheme, 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 Calverley Square scheme to development.
  - 2.4 This report is broken down into three key areas which are covered in detail in the attached reports. These are:  
  
Report 1: Calverley Square Development  
Report 2: Civic Complex Feasibility  
Report 3: Calverley Square Financials
  - 2.5 A summary of each of these reports is outlined in sections 5, 6 and 7 below.
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### **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 Calverley Square scheme are in accordance with the Royal Institute of British Architects (RIBA) defined stages. The decisions taken at each stage are set out in Appendix B (Key Council

Decisions 2014 - 2017) while Appendix C (Key Council Decisions 2018 to date) sets out the key decisions since approval to proceed with the scheme in December 2017.

- 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 scheme 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 **Stage 4** – At the end Stage 3 Full Council (on 6 December 2017) approved the project design for funding and delivery. It is at the end of Stage 4 that the Council will now need to consider the firm proposals submitted by our construction contractor (Mace) confirm the funding strategy and decide to deliver the development with the economic benefits. The detailed development work up to the end of this stage remains a financial risk until a decision on delivery is taken.

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#### 4. PROGRESS SINCE 2017

- 4.1 The Council appointed GVA (now Avison Young) as our lead consultant for Project Management of the development in February 2018 utilising the Homes and Communities Agency Property Panel Framework. Mace were then appointed as the Construction Contractor via the Southern Construction Framework in May 2018.
- 4.2 On the 9 May 2018 the planning committee granted planning permission subject to conditions. The legal agreement (Memorandum of Understanding) that forms

part of the planning decision was signed on the 15 June 2018. While an application for a Judicial Review on the planning decision was lodged the Court Judgement issued on the 2 August 2018 highlighted that the case was “totally without merit” and costs were awarded to be paid by the Claimant to the Council.

- 4.3 On 19 July 2018 Cabinet authorised the Tunbridge Wells Borough Council (Calverley Square) Compulsory Purchase Order 2018 being made for the acquisition of land and new rights to facilitate the delivery of the Calverley Square scheme. The CPO Inquiry took place between 12 February and 8 March 2019. With the Inspector’s decision published on 3 May 2019. The independent Inspector’s decision was to confirm the order in full with no modifications. The inspector recognised the significant economic benefits and the compelling case in the public interest. A copy of the full decision report is attached as Appendix D.
- 4.4 It was only as a result of the CPO Inquiry that the Grant Thornton Report, 23 March 2018, was placed into the public domain. A request for a public interest report on the decision-making process and achievement of best value had been lodged by a resident and was presented as evidence at the Inquiry. The report rejected that the Council had been unreasonable in its decision making or with regard to its statutory duty (Appendix N).
- 4.5 Alongside the development work on Calverley Square consultants were commissioned to undertake further work on the future of the Civic Complex. The Crown Commercial Services Estates Professional Services framework was used with the appointment of Avison Young as consultants endorsed by Cabinet on 6 December 2018. The results of this work are attached in the report on Civic Complex feasibility (Appendix I).
- 4.6 In response to a request from the Portfolio Holder for Culture, Leisure and Economic Development, feedback has been sought from theatre owners and producers, experts and representative bodies to provide feedback from users on the suitability, benefits and impact of the proposed theatre. The comments and feedback are attached as Appendix E.
- 4.7 Further Council consideration was given to the scheme at an Extraordinary meeting on 17 June 2019 and again at Full Council on 17 July 2019 when three motions were put forward on the Calverley Square scheme with a resolution recommending to Cabinet that no new expenditure should be committed to the scheme and that a decision to proceed to RIBA Stage 5 should be considered by Full Council. Cabinet agreed this approach on 1 August 2019 with the Leader reiterating this point to all members on 14 August 2019.

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## **5 REPORT 1: CALVERLEY SQUARE DEVELOPMENT**

- 5.1 This report covers the progression of the Calverley Square project through planning, site assembly and design development to the end of RIBA Plan of Works Stage 4. It updates the detailed design elements for Stage 4 of the office, theatre, underground car park and public realm including the principal site,

building and material design criteria identifying how the design has developed through RIBA Stage 4 to reflect detailed design, the planning conditions, programme, and cost.

- 5.2 The report updates progress following the award of Planning Consent in June 2018 with 53 conditions and identifies the process to discharge those planning conditions. The report highlights how the designs have changed from Stage 3 to the end of Stage 4. It summarises how the master programme has been updated to monitor progress and to react to the changing needs of the project, the external market place, the construction industry and external economic factors.
- 5.3 The report highlights the process undertaken to achieve the cost summary for the project and identifies the factors that have influenced the cost returns. It reviews the Mace Contractor proposals to be agreed and provides an updated project programme for delivery of the project. In addition, the update on the next procurement stage to deliver the development programme is outlined.
- 5.4 An update on the site assembly and CPO process, strategy and next steps to secure possession of the interests within the project programme (considering the enabling works necessary to deliver the project) is provided whilst the consents necessary for the delivery of the scheme (including neighbourly matters such as rights to light and party wall matters; section 278 Agreements and Traffic Regulations Orders) are outlined.
- 5.5 The proposed construction management processes as the contractor takes over the site and delivers the development are set out along with the key construction risks of the project and identifies where these have been mitigated and whether the remaining risks are held by the Council or by the contractor through the design and build procurement process.
- 5.6 The environmental, social and economic benefits to the Town and to the Borough of developing the scheme as presented and tested at planning and CPO public inquiry are set out.
- 5.7 The next steps to complete site assembly, procure the second stage of the Design and Build Contract, finalise design and complete all necessary design, development delivery and site assembly actions to enable the development to be delivered.

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## **6. REPORT 2: CIVIC COMPLEX FEASIBILITY**

- 6.1 This report covers the existing Civic Complex. Consultants Avison Young were commissioned to undertake further work on the future of the Civic Complex so an informed disposal can be undertaken. Six options have been considered based on underlying principles for the Civic Complex's future use:
  - Supports the future viability of the town centre and helps overcome the current fragility caused by reliance on the retail sector
  - Secures future public access and engagement with the building(s)

- Respects the character and heritage of the buildings and uses these as a basis for a high quality proposition
- Broadens the commercial and cultural offer of the town centre and attracts new uses/occupiers
- Builds on and strengthens existing clusters of activity and offers within the town
- Makes a positive contribution to the urban realm and animation of Mount Pleasant Road
- Delivers on the Council commitment towards sustainability
- Is deliverable (in whole or part) as soon as the complex is vacated
- Generates a sustainable level of financial return to ensure the buildings are maintained
- Contributes positively to the overall financial position of the Council

## 6.2 These options are:

- Option 1 - New workspace, re-using the majority of spaces for office, co-working and creative industries.
- Option 2 – Boutique hotel, restaurant and new workspace, with residential uses in Calverley Terrace.
- Option 3 - Residential led mix of uses, new leisure uses and some workspace.
- Option 4 - Hotel, residential and workspace.
- Option 5 - Residential development with community, event and work spaces.
- Option 6 - Residential across the site with some business space.

## 6.3 The assessment of the options demonstrate a wide range of approaches that could be pursued to ensure the Civic Complex has a sustainable future that generates positive benefits for the town centre and borough. What is clear from the tests is that different uses have different scales and types of benefits, in summary:

- Hotel and office uses offer the most significant individual place-shaping and wider economic benefits
  - They generate higher levels of jobs;
  - Have the largest impact on town centre footfall; and
  - Generate higher jobs and economic outputs.
- Residential uses generate higher levels of expenditure impact on the town centre
- Hotel uses generate significant visitor spend on wider leisure activity etc.

## 6.4 Whilst there is demonstrated demand and operational opportunity for a whole range of uses, the delivery of these comes at a cost given the nature of the listed buildings and the constraints this places on potential redevelopment approaches. With the Council's added Statutory responsibilities to protect heritage assets these place a limitation on the value that can be achieved from these uses.

## 6.5 Residential development continues to yield the highest capital return, given end values are higher than those for any of the commercial or community uses.

Therefore, in simple terms, the greater impact the Council wishes to have in terms of placeshaping and wider economic benefits, the higher the sacrifice will be in terms of capital return (although benefits may be secured through enhanced economic activity and consequently retained business rates).

- 6.6 The six placeshaping options identified provide varying levels of economic impact including employment creation, town centre expenditure and Gross Value Added (GVA). In terms of wider economic impact the Council through delivering Calverley Square and releasing the Civic Complex for redevelopment could expect to deliver around £10m of additional economic impact to the town and borough.
- 6.7 To enable a more co-ordinated approach to the Civic Complex and its potential disposal a joint approach, either an acquisition or partnership arrangement, including the Police Station should be pursued.
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## **7. REPORT 3: CALVERLEY SQUARE FINANCIALS**

- 7.1 The Calverley Square scheme 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 provides an update to the Project Financials Appendix approved by Full Council 6 December 2017. Following the completion of RIBA Stage 4 (Technical Design) this report provides an update to the costings, funding strategy and borrowing strategy to deliver the proposed new theatre, offices, underground car park and public realm.
- 7.2 In addition to the independent reviews commissioned by the Council that were reported as part of the December 2017 report there are two additional independent expert reviews relevant to the project financials that have since been published:
- Grant Thornton Report (23 March 2018) following a request for a public interest report on the decision-making process and achievement of best value (Appendix N).
  - Planning Inspector's Report (3 May 2019) following the Public Inquiry on the Compulsory Purchase Order to consider the compelling case in the public interest (Appendix D).

### **Costings**

- 7.3 The Council has received the costings report from the construction cost specialists, AECOM following the completion of RIBA Stage 4. 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.

7.4 AECOM are reporting that external market factors have adversely impacted on the cost of construction projects and Calverley Square is no different. These factors include:

- The UK leaving the European Union on 31 October 2019
- Reduction in the value of Sterling
- Grenfell Tragedy
- Collapse of Carillion
- Collapse of British Steel

7.5 The summary costs of the scheme at Stage 4 are shown below.

	Stage 3 (Developed Design)	Stage 4 (Technical Design)
	£m	£m
<b>Gross Construction Cost</b>	<b>90</b>	<b>108</b>
Less: Expenditure to planning	(4)	(4)
Less: Civic Complex Receipt	(9)	(9)
<b>Sub Total</b>	<b>77</b>	<b>95</b>
<b>External Funding</b>		
Kent County Council		(5)
Fundraising		(3)
<b>Net cost to finance from borrowing</b>	<b>77</b>	<b>87</b>
<b>Annual Cost</b>		
Loan repayments	2.8	2.8
Less: Rent and Theatre Subsidy	(0.5)	(0.5)
<b>Annual Revenue Impact</b>	<b>2.3</b>	<b>2.3</b>
Approved Funding Strategy	2.3	2.3

### Funding Strategy

7.6 The revenue impact of the scheme is unchanged to that set out a stage 3 due to lower interest rates. The £2.3 million of recurring cost reductions or income previously required from the Council's base budget have been approved and are already being delivered ahead of schedule with the proceeds transferred to the Calverley Square Reserve. The scheme remains affordable.

7.7 Recommendation 3a, delegates from Full Council the determination of funding sources to the s151 Officer in consultation with the Portfolio Holder for Finance and Governance. If over the next three years the level of fundraising exceeds the expected £8 million then that will reduce the level of borrowing required by the scheme. Should the level of fundraising not meet the £8 million expected then it will be necessary to borrow the balance which will be funded from the

excess car parking income from the new car park. The scheme is not dependent on external funding as the fundraising element of the scheme is fully underwritten by access to borrowing.

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## 8. AVAILABLE OPTIONS

- 8.1 In terms of progressing from this point there are a number of options which are covered in more detail by the consolidated business case. These include:
- 8.2 **Staying Put (Doing nothing)** – 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. The remedial works to the existing Town Hall are estimated as £4.3m (Aug 2019). Immediate works, on top of the investment made in 2015, to keep the doors of the Assembly Hall Theatre open are already identified in the Capital Programme. 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. No economic benefits would be derived from this option.
- 8.3 **Do minimum** - The costs required to maintain the current Town Hall building and refurbish to make it more suitable for current employment practices is anticipated as approximately £21.4 million (Aug 2019) assuming a start on the same timescale as Calverley Square. 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.
- 8.4 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 £21m (Aug 2019). 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. If a temporary theatre was required during rebuild then the size, location and funding for this would need to be established, though the mix and viability is seriously questioned (an issue which was addressed during the recent CPO Inquiry).
- 8.5 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. With no economic benefits from refurbishing the theatre, any economic benefits would be minimal and solely on the limited to space in the Town Hall that could be let.

- 8.6 If the 2013 Stephen Browning Associates (SBA) option 2 was considered (expanding to a minimum of 1,200 seats) the cost may be £41m (Aug 2019). However this is based on the option that SBA stated it would need to be considered whether there was sufficient space for audience access and fire exits from either side – and noted it may be necessary to break through the current footprint of the building to achieve the necessary scale. Neither the costs of this extra work nor the acquisition costs of the Police Station to enable this scale of development has been included in the assessment.
- 8.7 **Do something** – The Calverley Square development 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.
- 8.8 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 Avison Young on behalf of the Council. The economic benefits of the Calverley Square development were set out in the planning application and tested at the CPO Inquiry by an independent Inspector. The economic benefits of releasing the Civic Complex for new uses is outlined in the Civic Complex Feasibility report (Appendix I, J and K).
- 8.9 The report demonstrates a wide range of options that could be pursued to ensure the Civic Complex has a sustainable future that generates positive benefits for the town centre and borough. The six placeshaping options identified provide varying levels of economic impact including employment creation, town centre expenditure and Gross Value Added (GVA). In terms of wider economic impact the Council through delivering Calverley Square and releasing the Civic Complex for redevelopment could expect to deliver around £10m of additional economic impact to the town and borough.
- 8.10 It is envisaged that 9-10 Calverley Terrace is brought forward with the main Civic Complex buildings. To enable a more co-ordinated approach to the Civic Complex and its potential disposal a joint approach, either an acquisition or partnership arrangement, including the Police Station should be pursued.
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## **9. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 9.1 It is recommended that the Council proceed with the developed and technical design of the whole Calverley Square development. 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.
- 9.2 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 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.
- 9.3 The scheme will also enable the release of the current Civic Complex for redevelopment providing additional economic benefit to the Town and Borough.
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## **10. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 10.1 The Stage 4 work is now completing and engagement with Members is continuing. A members' briefing session took place on the 28 August with the Development Advisory Panel also receiving a briefing on the 29 August. Alongside these internal briefings, a number of Stakeholder engagements are proposed including Town Forum, Parish Chairmen, Royal Tunbridge Wells Together Partnership. Information has been placed in the public domain on a regular basis from the redacted initial feasibility carried out under the Assembly Hall Theatre Mandate to the suite of redacted Stage 1, 2 and 3 documents. A redacted version of the Stage 4 documents and those on the Civic Complex will also be made available publically. Copies of the Cabinet and Full Council reports are available on the Council website together with the CPO Inspectors decision report. In addition, the CPO Inquiry documentation, acquiring authority and objectors remains available on the CPO Inquiry website.
- 10.2 The Finance and Governance Cabinet Advisory Board was consulted on this decision on 5 September 2019 and, by a majority of 6 to 5, agreed the following:
- That the recommendations set out in the report be supported subject to the following issues being taken into account by the Cabinet:
- Implications of paragraph 4.10.2 of Part 4 of the Constitution:

*‘Chief Officers must ensure that any project to be funded by external funding does not commence until proper approval had been obtained and the source of external funding confirmed.’*

- Identification of the actual cost of delay
- Consideration of the feedback from the cross-party working group on alternatives
- Consideration of disaggregation of the parts of the scheme
- Consideration of the feedback from the Town Forum-led review
- The Audit and Governance Committee response to the issues raised by the Overview and Scrutiny Committee.

### **Response to the Advisory Board’s recommendation**

10.3 In response to the issues raised by the Finance & Governance Cabinet Advisory Board on the 5 September 2019 Cabinet and Full Council are asked to consider the following:

- **Implications of paragraph 4.10.2 of Part 4 of the Constitution**

10.4 The appropriate interpretation of Financial Procedure Rule 4.10.2 is that approval must be sought from the section of the Council that has responsibility for the particular project. Further, the source of the external funding must be confirmed. Decisions regarding external funding for Calverley Square are to be made by Cabinet and Full Council and aspects delegated to officers. Therefore, in relation to the additional £18m, the approval of Cabinet and full Council should be sought and the source of the external funding confirmed. This is logical since authority is required to seek the external funding. This is the usual practice in seeking external funding. The interpretation that external funding must be approved by the external body before the Council can make a decision is contrary to the requirements of Procedure Rule 4.10.2.

10.5 Recommendation 3a, delegates from Full Council the determination of funding sources to the s151 Officer in consultation with the Portfolio Holder for Finance and Governance. If over the next three years the level of fundraising exceeds the expected £8 million then that will reduce the level of borrowing required by the scheme. Should the level of fundraising not meet the £8 million expected then it will be necessary to borrow the balance which will be funded from the excess car parking income from the new car park. The fundraising element of the scheme is underwritten by access to borrowing.

- **Identification of the actual cost of delay**

10.6 The Council has operated in good faith with its consultancy and contractor. The start date has already been delayed 3 months and programme reprofiled. A further 3 months is not deliverable – the risk is losing numerous members of the project team, as Mace and others will not accept having significant numbers of staff waiting for 9 months without earning their wages. If they cannot be reassigned within the business, they will probably be laid off, and replaced with others if/when an order was confirmed. Other design team members may take a similar approach.

10.7 There would be extra cost and risk by adding: Inflation costs, extra Brexit risk, cost, increase uncertainty and cause the potential loss of the contractor's supply chain and their 'holding cost price'. Some sub-contractors may walk away and the contractor would have to take a risk if the Contractor's Proposal price was still achievable. The cost risk of this is unquantifiable as is the ongoing Brexit risk, however the added cost of Inflation would serve as a guide for the minimum cost increase. At a minimum weekly cost increases would cost in the region of £30k per week. Assuming some retendering required this could amount to 12 weeks with inflation cost increase of £370k regardless of the actual retendered elements returned. As a result any further delay may result in the contractor walking away. The wider programme deferment cost is set out in Exempt Appendix D.

10.8 Re-approaching the market in the future would require the selection of an appropriate OJEU compliant framework with an 8 month timescale from decision to appointment. The new contractor would need to review Stage 4 again with associated costs. All work packages would require retendering which would take between 6 - 12 months to complete.

10.9 The costs would include approximately £200k - £400k in fees, (dependent on procurement route), plus legal costs, plus an added £1.6m for inflation. The main contractor costs over this period would be in the region of £2m plus so the additional cost can be assumed to be £4m to the point of a decision to proceed. An additional 12 months of inflation can be expected on all trade packages tendered.

10.10 There is a serious reputational risk to the Council from not following through on major construction projects. In future the market may be reluctant to tender given the Council's track record or factor in higher costs due to the increased likelihood that the Council may change its mind and not support the project.

- **Consideration of the feedback from the cross-party working group on alternatives**

10.11 Any alternative solution will require a proposal to go through the various RIBA Workplan stages in terms of design. The timetable would depend on the nature and extent of work, possibly 3 - 4 years to get to the current design stage with Calverley Square, provided the option to be delivered had been agreed. The timetable would depend on internal decision-making processes given timelines for committee reporting. A planning application would need to be part of this. Various stages could overlap but this adds to the risk and cost if the programme is required to be adjusted. Procurement would require an OJEU compliant framework to keep to this timeframe. Other aspects that might add to the timescale are whether any building work is planned with Council in situ or in temporary accommodation. It is considered that building with the Council in situ is not an acceptable option due to the structure and layout of the building. In addition is the theatre closing or will a temporary solution be required? Any temporary solutions may also need a planning permission. Temporary projects could run pretty much alongside but would need to be completed before the Civic Complex could be freed up for work to start. Costs in the region of £11m not dissimilar to Calverley Square reaching RIBA Stage

4 could be anticipated. Trade packages returned would be in line with building costs at the time.

- **Consideration of disaggregation of the parts of the scheme**

10.12 Calverley Square has planning permission and a CPO decision based on the scheme as a whole. Disaggregation will require a new planning application and CPO Inquiry if assumption is only one part of the scheme is to be delivered. This may require 18 - 24 months to complete while a new contractor and tendering of work packages will be required, utilising a suitable OJEU compliant framework. Costs in the region of £2m - £4m could be expected prior to a decision to proceed. If the second part is then delivered separately then a separate planning application, CPO Inquiry and procurement is likely to be required as well. Unless delivered one after another access arrangements for two sets of contractors would need to be found. In addition efficiencies in price and construction management related to one contractor delivering the whole scheme would be lost. Implications for Council provided services depend on whether it is the office or theatre that is the sole aspect being taken forward. The release of the current buildings for redevelopment and the value of part or parts released will be compromised.

- **Consideration of the feedback from the Town Forum-led review**

10.13 A copy of the Independent Panel has been received. It is for members to consider the points in the panel's report.

- **The Chairman of the Audit and Governance Committee response to the issues raised by the Overview and Scrutiny Committee.**

10.14 The Chairman of the Audit & Governance Committee has received a letter from the Chairman of the Overview and Scrutiny Committee. The Chairman and Vice-Chairman of Audit & Governance Committee met with both the Chief Executive and the s151 Officer prior to responding to the letter on 13 September 2019. In responding to the Overview & Scrutiny Chairman, it has been noted that the scheme had been externally challenged and reviewed by three independent challenges including a Judicial Review application, an objection to our Statement of Accounts and a month-long Public Inquiry overseen by an independent Planning Inspector.

10.15 Collectively it has been agreed that if Full Council agrees to pursue the scheme on 25 September 2019 a meeting with the Leader of the Council, relevant portfolio holders the Chairmen and Vice-Chairmen of both Audit & Governance and Overview & Scrutiny committees will discuss and agree principles relating to the wider reporting of project management information to members as the scheme moves to a delivery phase. Building on the existing recommendation "*In approving the scheme that the Development Advisory Panel will be engaged on a formal schedule of dates during the delivery of the work*" the make-up and frequency with which the DAP meets will be considered and agreed.

## **Cabinet recommendation**

10.16 Cabinet on the 12 September 2019 considered the Calverley Square Delivery report and comments received from the Finance & Governance CAB. Cabinet have agreed that the following additional recommendation is included in the recommendations to Full Council:

That, given the importance of culture and leisure to the town's economy and social, environmental and economic wellbeing, and in recognition of the planned growth to the Borough's population, this Council endorses the principle that it wishes to provide a theatre that meets the needs of residents, visitors and producers.

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## **11. PUBLIC SECTOR EQUALITY DUTY**

11.1 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.

11.2 The impacts of the recommendations relating to the design and construction have been considered. A full equality impact assessment (attached at Appendix F) has identified that the new theatre has the potential to reduce discrimination and foster good relations between different communities by providing a greater number of public arts and cultural events, where different groups of people are able to mix in a social setting. The details of the design have been developed to facilitate the building being used by different groups of people, including those with protected characteristics. The design of the theatre and office buildings will provide:

- improved access to people with physical disabilities.
- provisions for breastfeeding mothers and baby changing facilities.
- Separate toilet facilities for males and females in the theatre and unisex facilities in the office building, which take account of any privacy needs.
- Elements which assist people in older age groups or those with dementia.

11.3 It is proposed that access information and accessible signage is provided upon completion of the development.

11.4 The Council has no current evidence to suggest that the proposed design would disproportionately affect males and females, people with different religions or beliefs or trans people. The Council has not identified any impacts of the design relating to race and sexual orientation.

11.5 The construction arrangements will provide for:

- a temporary access route into Calverley Grounds providing access for wheelchair users and people with pushchairs (while Mountfield Road provides level access, some wheelchair users may not be able to navigate Grove Hill road which is on a gradient and is not currently served by a bus stop).
- temporary toilet facilities for males and females, an accessible toilet and baby changing facilities.

- the ice-rink to continue during December and January.

- 11.6 It is proposed that access information and accessible signage is provided during construction.
- 11.7 Mitigation measures will ensure that the construction process will have as little impact on the environment as possible however, we will continue to monitor the impact of any construction noise on people with disabilities, different age groups people who may carry out religious worship near to the site, pregnant women and new mothers, where appropriate.
- 11.8 It will not be possible for the Mela or any religious events, such as the Churches Picnic, to take place in Calverley Grounds during construction and the Council will provide assistance to facilitate these events being held in an alternative location if required.
- 11.9 The Council has no evidence to suggest that the construction arrangements would disproportionately affect trans people. The Council has not identified any impacts relating to sexual orientation.
- 11.10 With regards to the recommendations relating to the Compulsory Purchase Order, an equality impact assessment was carried out and presented to Cabinet on 19 July 2018. The assessment noted that the EqlA has found that there is potential for both positive and negative impacts to be created as a result of the CPO. There are potential positive impacts, in particular with regards to race and fostering good relationships between communities, and potential negative impacts, in particular with regards to disability and age and the changes in services that will result from the CPO.
- 11.11 Where potential negative impacts were identified, a range of actions were proposed to reduce or mitigate them. The main findings include considering the impact of changing or reducing disabled parking bays at the Mount Pleasant Road car park, the Hoopers car park and the Great Hall car park. Alternative provision is being made for Mount Pleasant Road car park users at Crescent Road, and the Council has undertaken to consider whether it is feasible to create temporary Blue Badge bays on Mount Pleasant Avenue.
- 11.12 Alongside this, the Council also recognised a potential negative impact on those who may have dementia, the elderly and the young, and those who may have a disability, with regards to access from the Hoopers car park, access to the rear of the Great Hall Arcade, and removal of access rights for Grove Hill House residents. Mitigations included clear and appropriate signage across all parts of the site, consideration of a 10mph speed limit, and the creation of safe walkways across the Hoopers car park for pedestrians.
- 11.13 The Compulsory Purchase Order was confirmed without amendments on 3 May 2019. No new issues have been identified relating to the protected characteristics. The Council will continue to consider the Equalities impact assessment and what impacts there may be as a result of the Compulsory Purchase Order and to include these where appropriate in the delivery of the project. The EqlA will be periodically reviewed, and reviewed following any feedback received which relates to equalities issues.

11.14 With regards to the recommendations relating to the funding aspects, separate equality impact assessments have been conducted on any funding proposals that may result in a change to how other Council services are provided. These are to be considered as any proposals are put forward.

11.15 With regards to the report covering the Civic Complex feasibility Members should note that further analysis of the impacts of the proposed disposal and redevelopment with suggestions for mitigating any impacts identified, will need to be brought forward at the time these are being considered.

## 12. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

12.1 Following a decision by Full Council, the contract with Mace will be finalised. In addition the Council will complete a number of enabling works including highway, archaeological and environmental works. The CPO will be progressed with a general vesting declaration and other land assembly issues enacted and completed. Further engagement with adjacent landowners and affected parties will be initiated to finalise the strategies and management plans for the construction and operational delivery of the development.

## 13. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<p><b>Legal</b> including Human Rights Act</p>	<p>Under section 111 of the Local Government Act 1972 the Council has power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.</p> <p>The Council has a general power of competence pursuant to Section 1 of the Localism Act 2011 which enables it to do anything that individuals generally may do.</p> <p>Acting on the recommendations stated in this Report is within the Council's statutory powers.</p> <p>At this stage there are no direct consequences arising from the recommendation that adversely affect individual's rights and freedoms as set out in the Human Rights Act 1998.</p> <p>Any necessary agreements or contracts to be entered into must be in accordance with the Council's Contract Procedure Rules and should be in a form approved by Legal Services.</p> <p>The framework agreements for professional</p>	<p>Claudette Valmond Principal Solicitor - Commercial (27/08/19)</p>

	<p>services referred to in this Report have been through a process of formal procurement in accordance with European and UK law to ensure that all requirements are met.</p>	
<b>Finance</b> and other resources	<p>Revenue Support Grant from central Government has been abolished. Future funding for services will be dependent on this Council's ability to deliver economic growth and to retain a greater share of business rate proceeds.</p> <p>The scheme has been independently reviewed and the council has approved the funding strategy to meet the annual cost of the scheme.</p>	<p>Lee Colyer, Director of Finance, Policy and Development (23/08/19)</p>
<b>Staffing establishment</b>	<p>Staff will be impacted in many ways by this scheme and engagement with them will be important to delivering aspects of the scheme successfully. This includes not only those directly involved in the scheme delivery but ensuring the successful delivery of a workforce transformation programme moving to new more flexible ways of working will be a significant piece of work. It will be necessary to review how we use our resources to ensure that we are able to deliver excellent services in the future by having the right people, with the right skills, working on the right things, at the right time.</p>	<p>Nicky Carter, Head of HR (21/08/19)</p>
<b>Risk management</b>	<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 scheme with the RIBA Workplan stages forming the break points. Broader risks for each development have been assessed as the scheme has progressed.</p> <p>Risks for the Calverley Square development 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 Calverley Square 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.</p>	<p>Report Author (22/08/19)</p>
<b>Environment</b> and sustainability	<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</p>	<p>Karin Grey, Sustainability Manager</p>

	<p>Century, recognising its responsibility for civic leadership.</p> <p>The Council recognises the imperative to reduce emissions as quickly as possible in line the Committee on Climate Change report published May 2019 and on meeting the targets as specified in the Climate Change Act 2008 as amended 19 July 2019.</p> <p>Therefore, the Council supports clean growth whilst protecting and enhancing the environment and reducing emissions, with the declaration of a climate emergency at Full Council 17 July 2019.</p> <p>Sustainability in design is therefore an important requirement, given the Councils ambition to make its operations carbon neutral by 2030.</p> <p>Hence it is 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, our ambition to be carbon neutral is met.</p> <p>It is acknowledged that part of delivering a more environmentally sustainable building, consideration is also 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, Cycling and Walking Strategy and adopted Air Quality Action Plan.</p>	(27/08/19)
<b>Community safety</b>	<p>There are no specific community safety issues arising from this project during this stage. Further engagement with the community safety manager will take place as the project progresses.</p>	Terry Hughes Community Safety Manager (27/08/19)
<b>Health and Safety</b>	<p>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.</p>	Report Author (27/08/19)
<b>Health and wellbeing</b>	<p>The proposal supports the wider determinants of health by providing improved facilities for cultural, social and community engagement.</p>	Report Author (27/08/19)

<b>Equalities</b>	The public sector equality duty is outlined within this Report.	Sarah Lavallie Corporate Governance Officer (23/08/19)
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#### 14. SUPPLEMENTARY REPORTS AND APPENDICES

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

Appendix A	Site Location
Appendix B	Key Project Decisions 2014 - 2017
Appendix C	Key Project Decisions 2018 to date
Appendix D	CPO Inspectors Report
Appendix E	Feedback from Producers
Appendix F	Equality Impact Assessment

Appendix G	Report 1 - Calverley Square Development
Appendix H	Construction Management Plan

Appendix I	Report 2 - Civic Complex Feasibility
Appendix J	Civic Complex Plan
Appendix K	Civic Complex Placeshaping Assessment
Appendix L	Civic Complex Placeshaping Assessment Appendices

Appendix M	Report 3 – Calverley Square Financials
Appendix N	Public Interest and Best Value request report from Grant Thornton (March 2018)
Appendix O	Evaluation of Fundraising Prospects

#### Exempt Appendices

Exempt - 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.

Exempt Appendix A	Calverley Square Exempt Report
Exempt Appendix B	Avison Young Stage 4 Report
Exempt Appendix C	Civic Complex Placeshaping Assessment Exempt Appendices
Exempt Appendix D	Programme Deferral Estimate