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

1. To agree in principle to seek to deliver a new theatre to replace the existing Assembly Hall Theatre and commission a design for the new theatre building;
2. To agree in principle to seek to vacate the Town Hall and relocate the Council’s office accommodation and civic function to the Mount Pleasant Avenue site;
3. To note the current funding gap and need to consider the broader financial implications;
4. To agree to take the appropriate steps to secure a development partner(s);
5. To authorise the Director of Planning & Development, in consultation with the Leader of the Council, the Portfolio Holder for Finance for Governance and the Section 151 Officer:
   i) to undertake the required work via the appointment of consultants to commission design and cost advice for the theatre building;
   ii) to undertake the required work via the appointment of consultants to identify the most appropriate development option for the areas identified to include preparing an EU compliant procurement timetable and specification reflecting the preferred option and delivery mechanism to secure a development partner;
   iii) to approve the required funds for professional expertise to progress and deliver the work identified from the Development Programme budget; and
6. Request that the Director of Planning and Development ensures that the Development Advisory Panel is engaged as appropriate during the delivery of the work.

This report relates to the following corporate priorities:

- A prosperous Borough

The proposal contained in the report supports the aims and objectives of the Asset Management Plan and is a key objective in the Five Year Plan.
<table>
<thead>
<tr>
<th>Meeting</th>
<th>Date</th>
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<tbody>
<tr>
<td>Management Board</td>
<td></td>
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<tr>
<td>Cabinet Advisory Board</td>
<td>10/11/15</td>
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<td>Discussion with Portfolio Holder</td>
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<tr>
<td>Cabinet</td>
<td>3/12/15</td>
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<tr>
<td>Council</td>
<td>9/12/15</td>
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1. **PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

1.1 Cabinet’s ambition to deliver a new and improved theatre for the town has raised inevitable questions concerning affordability. Those funding concerns have been ripened by the significant cost of refurbishing the Town Hall to enable continued use into the 21st Century. As a result of a Cabinet mandate to investigate (30 October 2014) a report commissioned by the Council has identified ways in which the affordability gap could be narrowed by developing Council owned assets.

1.2 The evaluation and feasibility work is now complete and a decision is now sought to progress with the next steps. This includes an agreement to vacate the Town Hall, relocate the office and civic functions to Mount Pleasant Avenue, confirm the desire to deliver a new theatre and agree to the required work being undertaken to enable the Council to take an informed decision at a future-date.

1.3 The report outlines the objectives of the feasibility work undertaken, the main issues including the shortlisted options and identifies the potential delivery option to enable progression to the next stage.

2. **INTRODUCTION AND BACKGROUND**

2.1 The Council has long recognised that the Assembly Hall Theatre (AHT), whilst a cherished cultural treasure in the Borough, is becoming structurally and culturally obsolete. The recent £1.5m refurbishment was required to “keep the doors open”. It is recognised that provision of a theatre facility is vital to the whole Borough. A report commissioned by the Council and produced by Stephen Browning Associates estimated the capital investment required to redevelop the AHT at £25m. This would allow a new theatre to present productions of a complexity and scale which currently can only be accommodated in larger venues of circa 1,250 seats. The Council’s Five Year Plan sets out a clear direction for the civic complex, the AHT and the delivery of a new Cultural & Learning Hub. It states that we will be developing a clear framework for the future of the site including an enhanced theatre.

2.2 On 30 October 2014 Cabinet gave a mandate to investigate the costs of providing a new theatre for the Borough. It also agreed to investigate all options for the financial viability of delivering a new theatre on, or adjacent to, the civic complex. The brief issued required a comprehensive evaluation and feasibility study to be undertaken of the assets in the civic complex, on other Council owned land and other land within its vicinity to provide viable options for funding (or part funding) a replacement theatre on the civic site or in another town centre location. The main areas under consideration are identified in the plan attached as Appendix A.
2.3 The Cabinet mandate to investigate was also in part informed by recognition of the cost of refurbishing the Town Hall to provide a fit for purpose environment for use into the 21st Century. An additional report previously commissioned by the Council identified this cost of refurbishment at approximately £10m.

2.4 The Council therefore appointed Bilfinger GVA (Chartered Surveyors and Development Consultants) through the Crown Commercial Services Professional Estates framework to undertake the work. As part of the consultancy team Allies + Morrison provided architectural and urban design advice with AECOM providing cost consultancy advice.

2.5 The full report (Civic Complex, Royal Tunbridge Wells. Final Report) is commercially sensitive, and is available to Members only. If members wish to review the full document they can do so by contacting Councillor Jukes or the Director of Planning and Development.

Objectives

2.6 A set of objectives was agreed against which emerging options in the Bilfinger GVA work could be tested and evaluated. These broad objectives are:

- Continuity of theatre operation
- Continuity of Council office operation
- Integration with the Cultural and Learning Hub
- Significant redevelopment of wider civic site
- Cultural benefit to Tunbridge Wells
- Economic benefit to the town centre
- Sensitive to the historic nature of the site
- Contributing to reduce the cost of new facilities

The Existing Buildings and Heritage Issues

2.7 A key element of the work was the consideration of the value of the existing buildings in terms of their heritage and significance. This work has been reviewed and meetings undertaken with the Council’s planning and conservation staff and also with Historic England to review emerging options and develop a strategic approach to the future of the buildings. Much of the significance of the civic complex of buildings lies in the cohesive composition of their group, and particularly the elevations presented to Mount Pleasant Road and Crescent Road. It is possible to retain this cohesive appearance by retaining the external range of buildings whilst undertaking significant changes within the core of the block.

2.8 Therefore it has been acknowledged that the loss of this may be acceptable in order to deliver options for the continued viable use of the buildings to ensure that they are protected in the long term.

2.9 Urban design and heritage analysis was carried out in order to inform the initial development options for the site, including a review of the existing planning context in Tunbridge Wells. This work has been carried out in tandem with the review of the residential and commercial property markets.
2.10 In preparing the potential development options for the site, the acquisition of third party land was explored and how this might allow for more comprehensive development to take place. Although extending the developable area of the site can enable further development to take place, this does not necessarily increase the viability of a development. The costs of acquiring third party land have within the parameters of this study been taken into account, and assessed against the potential extra revenue that further development could generate.

2.11 The information from the analysis and review was applied to our objectives criteria and to the assets, and a number of options were considered against different asset groups. Some options were dismissed due to planning, market demand, or topographical constraints; others were explored further prior to refinement and shortlisting. The options consider a range of possible uses in a variety of configurations. A key factor which shapes the possible options is the arrangement of the Council office building and the approach to the location of the theatre. Options including redevelopment of the theatre in-situ or developing a new theatre on the site of the Police Station were explored, as well as the option for locating a new theatre on the Great Hall car park site.

**Car Parking**

2.12 Potential development options on the Mount Pleasant Avenue car park site and the Great Hall car park site could impact upon the provision of car parking in the town centre which needs to be considered alongside any capital cost of the options. As part of the feasibility report, the consultants considered the potential to create additional car parking.

2.13 They consider that the costs of doing so at Mount Pleasant Avenue would be high given the topography of the site and the poor efficiency of layout. However, creating a new basement car park beneath the Great Hall as this is a level site was an option. While underground parking is expensive a high level assessment indicated an acceptable payback period (the time to recover the cost of construction through income receipts).

2.14 A specific feasibility study, particularly to accurately assess build costs and the physical ability to construct a basement car park in this location will be required and would be part of the next stages of work. There would also be urban design implications for the quantum of car traffic moving across what could potentially be a new public realm area which would need to be considered and addressed.

**Shortlisted options**

2.15 From the thirteen options in the Bilfinger GVA interim report the following five options were shortlisted for further detailed work:

- Option 4 - Theatre on the Police site with residential-led development of the Town Hall
- Option 6 - Theatre on the Police site with leisure-led development of the Town Hall
- Option 7 - New theatre and office with leisure led redevelopment of the site
- Option 9 - New theatre and office with retail galleria development of the site
• Option 10 - New theatre and office with residential development of the site

2.16 These have been selected as they represent the best set of options against the evaluation criteria, whilst also leaving open a number of different land use options and spatial configurations. AECOM (formally Davis Langdon) provided cost consultancy advice on the estimated build costs for each option together with construction and phasing assumptions which were incorporated into the development appraisals of the options being considered. The detailed evaluation and financial assessment of each option was undertaken and is included in the main study. The detail of the five options is addressed in Appendix B attached to this report.

2.17 A primary assumption is that the Council will promote a masterplan covering the redevelopment of the civic site (in whatever configuration is agreed at a future date), provision of a new civic office and associated additional offices at the Mount Pleasant Avenue car park, and construction of a new theatre and associated space to the rear of the Great Hall.

2.18 It has been assumed that either an outline planning application covering the whole of the strategic masterplan is submitted, with subsequent detailed application(s) for the theatre and offices, or that a hybrid application is submitted being outline for the masterplan area and then detailed for the new theatre and offices.

New Office
2.19 In all five of the shortlisted options to enable continuity of office accommodation and civic function the potential relocation site has been identified as Mount Pleasant Avenue car park. A separate report considered by Cabinet on 29 October agreed to establishing the Council accommodation requirement and preparing design work on Mount Pleasant Avenue.

New Theatre
2.20 In a number of the options the location of a potential new theatre was identified within the civic complex however, a number of these impacted on continuity of theatre use. Within the context of the feasibility study the Great Hall car park site provided the best opportunity to deliver a theatre and maintain continuity of use. At this stage the detailed design of the theatre has not been considered.

2.21 There will also be a further specific piece of work required to assess and define the ongoing revenue costs of a providing a new theatre. To make an informed decision the Council will have to understand the level of subsidy support that a new theatre will require. This piece of work will also offer the opportunity to assess the most appropriate operating model for a new theatre.

Financial Viability
2.22 A key aspect of the feasibility work was the provision of cost consultancy advice on the estimated build costs for each option together with construction and phasing assumptions to deliver high level development appraisals. Not unsurprisingly the analysis indicated that the residential option provided the
highest projected capital financial receipt, but this option also scores low against some of the Council’s other objectives.

2.23 All the options still show a significant required capital contribution by the Council towards the cost of the new facilities. Given the high level nature of the initial appraisals this is identified as in the region of £25m - £28m. While not uncommon on large development opportunities, it does however give the Council an indication of the potential funding challenge that needs to be considered within the next phase of work.

2.24 There is certainly scope to sharpen the figures and reduce the funding gap. Currently there are significant cash flow issues associated with the proposal as a consequence of the need to fund the construction costs of both the Council’s replacement offices, and the new theatre. How these are dealt with and managed can reduce costs; for example the current viability work does not reflect the refinement of any development partnership, so additional value may be able to be driven out of a specific deal structure. In addition more detailed consideration of elements of the scheme for example the costs of construction can significantly reduce the final costs.

2.25 Broader consideration of the financial costs will need to be undertaken to investigate how the Council will manage the extensive financial pressures that a significant development opportunity will bring. The Council will need to consider if grants are available through the public and private sectors. Other opportunities that need to be considered are additional disposal of assets to provide supporting capital for the scheme, the potential of business rate retention, the use of current reserves and the cost and affordability of long term borrowing and debt finance. The broader VAT implications will also need to be considered.

2.26 In addition there are likely to be other revenue and capital savings that have not been reflected in the high level appraisals. These include:

- Reduced annual revenue running costs (per sq ft) for the new civic accommodation compared with the costs of the existing building;
- The saving in any capital allocated for a planned preventative maintenance programme (major repairs to the building fabric, and mechanical and electrical repairs) for the existing Town Hall;
- Reduced annual running costs for the new theatre;
- The ability to generate greater operating revenue from the theatre from both the nature of the performances it could hold, as well as the commercial opportunities through letting restaurant and other food and beverage space within the building;
- Income that could be generated from the civic rooms for wedding receptions, conferences, meetings etc. given the attractive outlook over the park to the east; and
- Additional income could be derived from car park revenue.

2.27 Other considerations related to office development, for example the Council obtaining a tenant, and selling the offices to an investor would produce a capital
value which could be added to the total residual value of each site if the Council chose to sell the let investment.

2.28 The next phase of work will therefore enable the Council to consider the likely cost of these options or an alternative option put forward by a development partner, as well as considering if the preferred option is fundable in terms of our budgetary priorities and pressures.

3. AVAILABLE OPTIONS

3.1 In terms of progressing from this point there are a number of options. These include:

3.2 **Doing nothing** – That we continue to maintain the Town Hall and Theatre to the current standard, accepting the current size of the Theatre will not be addressed and that existing maintenance and running costs for the Town Hall and Theatre will be maintained. This was partly considered when the AHT Mandate was first approved by Cabinet in October 2014

3.3 **Do minimum** - As previously outlined costs in excess of £10m would be required to maintain the current Town Hall building and 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 may not prove to be attractive. In addition the Theatre unless it was expanded on site which could cost £12m would not attract larger touring shows. In addition 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 within the limitations of listed buildings. Again the original Cabinet report considered this option when the AHT Mandate was first proposed.

3.4 **Do something** – There is a range of potential options related to this which release one or more parts of the site for redevelopment. Many of the financial issues could be considered in the broader option in terms of costs of delivery and any specific savings regarding maintenance, running costs, additional revenue or capital as a result of individual disposals or redevelopments although the interdependencies between the different buildings including the current heating system would need to be considered. A by product of the full option could be that this more modest approach could be delivered at a future date.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The consultants were asked to consider the options for delivery in their analysis. They identified three routes including:
**Delivery Option 1**

4.2 Delivery of each component of the project separately. Essentially the Council would work up separate detailed design for the theatre and for the office development and the development of the civic complex would be through a traditional development agreement following a marketing and procurement exercise.

**Delivery Option 2**

4.3 Grouping the civic complex redevelopment with one, or both of the new public buildings under a development agreement. Under this scenario the Council would procure a development partner to both develop out the civic complex and also one or both of the public buildings. The Council would still need to work up a detailed specification for its new civic office accommodation, as well as the theatre as it would be a key part of the procurement. The level of specification would need to be detailed to enable bidders (development partners) to cost the proposals to allow for some significant degree of risk transfer.

**Delivery Option 3**

4.4 A joint venture that could incorporate a combination of the projects as under delivery option 2. Under this a formal 50/50 joint venture for delivery of the projects as a whole or a combination of them would be followed.

**Recommended route**

4.5 Delivering each component of the project as separate projects does not enable any risk transfer for the Council and may incur potential penalty provision clauses if delivery of say the new civic offices or theatre is delayed and there is a material impact on the commercial proposal put forward on the civic complex. For this reason, trying to secure a firm commercial proposal on the civic complex could be problematic and again means there is a risk for the Council at the point it needs to commit to procure the theatre and/or new civic office contract. Given the nature of the project the contractor developers are less likely to be as keen if there is a combination of development and contracting components.

4.6 The joint venture approach has been looked at by the Council previously. While there are some benefits around transparency, during soft market testing a number of developers felt the package was too small to benefit from this approach.

4.7 As a result, it is considered that a development agreement should be structured combining delivery of the civic site redevelopment with one or potentially both public buildings. The Council would have to pay a development management fee to a development partner to co-ordinate these projects but it would then mean that during the procurement it could test how much risk the market is willing to bear and to also push for blended returns across both development and contracting components. These should be lower than the aggregate of the two (or three) components in isolation. Provisions would need to be carefully drafted dealing with overage, and procurement process (as well as tender acceptance) for the public building(s).
4.8 Adopting this approach will require the Council to undertake work to develop the offer and test the market more coherently.

5 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 In advance of this report being taken to Finance & Governance Cabinet Advisory Board, all elected members of the Council have received a presentation about the AHT Mandate and the findings in the study and a further presentation and discussion has been held with the Development Advisory Panel. Members of Cabinet including the Leader and Portfolio Holder for Tourism, Leisure and Economic Development have met with the Town Forum, Civic Society, other direct interest groups and the local press to brief them on the study and its direction.

5.2 In addition a copy of the Civic Complex Options Appendix 1 – Design Options Report from the full consultant report, which is attached to this report as Appendix B, has been published on our website.

5.3 Any comments and recommendations from Finance & Governance Cabinet Advisory Board will be reported to Cabinet.

RECOMMENDATION FROM CABINET ADVISORY BOARD

5.4 The Finance and Governance Cabinet Advisory Board was consulted on this issue on 10 November 2015 and supported the recommendations as set out, without amendment.

6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 Once the recommendations have been approved the Council would appoint the relevant professional advice through Crown Commercial Service RM928 Professional Estates Services framework. The approach is similar and consistent with the approach taken on the Mount Pleasant Avenue – Office Accommodation project. There are essentially four major strands of work here: office accommodation (Cabinet decision on 29 October 2015); theatre design; more detailed financial viability work to reduce potential costs; and the procurement of a development partner(s) who would be integral to the main elements of these.

6.2 In terms of timescales, it should be noted that there is a significant period of work including procurement to be carried out prior to decisions that would enable the construction phases. However, within the development appraisals it has been assumed that a new theatre would take approximately 24 months to construct and thereafter commission, and that the Council’s replacement offices would be delivered within an 18 month period. Once the Council has relocated into its new office accommodation and the theatre is operational, then it is assumed the redevelopment within civic site would commence.
6.3 The appointment of consultants will complement the Council’s small in-house resource and provide specialist property development expertise with regard to refinement of options, viability, cost and design advice and in addition procurement of a development partner(s) prior to a future Council decision on progression.

7 CROSS-CUTTING ISSUES AND IMPLICATIONS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Implications</th>
<th>Sign-off (name of officer and date)</th>
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<tbody>
<tr>
<td><strong>Legal including Human Rights Act</strong></td>
<td>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. There is a range of legal powers available to the Council which enable it to undertake the development referred to in the report. The particular legal powers to be utilised will be clear once the preferred option and delivery option are identified. In addition, section 122 of the Local Government Act 1972 permits the Council to appropriate land or property in its ownership in order to use it for another of its functions. At this stage there are no direct consequences arising from the recommendations that adversely affect the rights and freedoms of individuals as set out in the Human Rights Act 1998.</td>
<td>John Scarborough Head of Legal Partnership</td>
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<td><strong>Finance and other resources</strong></td>
<td>Grant from central government has already been cut by 50 per cent and could well be reduced by a further 40 per cent resulting in almost no Revenue Support Grant to help fund local services. The ability to raise income locally continues to be curtailed which puts at risk the ability of the Council to balance the revenue budget on an annual basis. To enable the continued delivery of services without significant cuts it is necessary to strategically utilise reserves and turn assets into revenue income streams to enable financial self-sufficiency. The use of the Development Programme budget for this project will enable expert advice to be secured to assess the financial viability of delivering new office accommodation. The use of expert advice to deliver a range of non-performing land assets has demonstrated the value of this approach.</td>
<td>Lee Colyer, Director of Finance and Corporate Services</td>
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Through third party framework agreements procurement can be minimised and value for money secured. The initial budget will come from the development programme budget which has already been approved.

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<tr>
<th>Staffing establishment</th>
<th>There are no direct staffing implications in the report. Staff time to the process and ongoing work has however been committed. A separate report detailing additional staffing implications of the programme as a whole is being considered by Cabinet.</th>
<th>Nicky Carter, Head of HR</th>
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<tr>
<td>Risk management and health &amp; safety</td>
<td>The Council has already developed a number of 'gates' to manage the allocation of resources and introduce a phased approach to development. This approach will continue to be used for this project. Broader risks for each development will need to be assessed as progressed.</td>
<td>Head of Audit Partnership, Deputy Head of Audit Partnership or Audit Manager</td>
</tr>
<tr>
<td>Environment and sustainability</td>
<td>The assessment of space and design will enable the delivery of a more environmentally sustainable building.</td>
<td>Sustainability Manager</td>
</tr>
<tr>
<td>Community safety</td>
<td>No specific issues.</td>
<td>Community Safety Manager</td>
</tr>
<tr>
<td>Health and wellbeing</td>
<td>No specific issues.</td>
<td>Healthy Lifestyles Co-ordinator</td>
</tr>
<tr>
<td>Equalities</td>
<td>The purpose of this report is to enable the consideration and development of property to meet service requirements into the future. Individual development proposals will be assessed in terms of their requirements and design will ensure aspects such as DDA compliance is addressed from the outset.</td>
<td>West Kent Equalities Officer</td>
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8 REPORT APPENDICES

The following documents are to be published with this report and form part of the report:
- Appendix A: Plan of Study Area
- Appendix B: Civic Complex Design options report

9 BACKGROUND PAPERS

None