

EAST HERTS COUNCIL

COUNCIL – 23<sup>rd</sup> OCTOBER 2019

REPORT BY EXECUTIVE MEMBER FOR WELLBEING

HERTFORD THEATRE GROWTH AND LEGACY SCHEME – DESIGN  
PROPOSALS AND FUNDING

WARD(S) AFFECTED: ALL HERTFORD WARDS

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**Purpose/Summary of Report**

- This report provides an update on the progress of the theatre expansion work and business plan for the Hertford Theatre Growth and Legacy Scheme and requests additional funding of £6.4mn for the delivery of the scheme.

<b><u>RECOMMENDATIONS FOR FULL COUNCIL: That:</u></b>	
<b>(A)</b>	<b>The additional funding of £6.4m is approved for the delivery of the Hertford Theatre Growth and Legacy scheme (subject to planning approval).</b>

1.0 Background

1.1 In July 2018, Council approved a capital investment of £13.5m for the “Growth and Legacy” option to develop and expand the Hertford Theatre. This option is summarised as follows:

1.2 The Growth and Legacy option represents a long-term vision for the Theatre and its cultural offer. It engages with all aspects of the operation and presents a view of Hertford Theatre as a 21st century beacon of art and heritage activity for all. The building aims to

become the hub of the evening offer to younger audiences, supporting the local night time economy. The suggested alterations and additions include:

- Rooftop extensions to accommodate 3 x cinema screens with a total of 200 seats.
- Enhanced Main Auditorium accommodating 550 seats with an additional high-level balcony and new fixed seating layout to improve customer 'theatre' experience and ensure consistency across all auditoria.
- Flexible Studio space with 150 seats
- Reconfigured entrance foyer with more 'break-out' space
- Relocated and enhanced food and beverage offer alongside and over-looking the River Lea
- Acoustic improvements to the main Auditorium
- Reconfigured office and backstage spaces
- Improved accessibility in-line with the Equality Act including new back-stage door with accessible ramps leading to changing and rehearsal spaces enabling disabled performers and participants to engage fully with the theatre and its output.
- A greatly improved public realm around the entire theatre site.
- Improved connectivity between the town, theatre and park. A key element to this is ensuring we create a vibrant and welcome surrounding area.
- Scope for partnering with Town Council, schools and other centres of education to release the heritage story of the Motte, Castle Gardens and Hertford.
- Creates a safe environment in all areas surrounding Hertford Theatre.

1.3 The recommendations approved by Council in July 2018 were:

(A) Considers and receives the views of Overview and Scrutiny and the Executive

(B) Approves the capital investment for the Growth and Legacy Option.

(C) Notes that following the request from the overview and scrutiny committee, that member involvement and engagement will increase as the project develops.

(D) Subject to funding approval, delegated authority to make decisions relating to the Theatre development project is provided to the Executive Member for Health and Wellbeing with the support of a Theatre project board. The board will consist of the Executive Members of Health and Wellbeing and Finance and Support Services, the Head of Operations, the Chief Finance Officer and a the Chief Executive.

## 2.0 Report

2.1 Since the approval of the Theatre expansion project in 2018, due to the significance of the project and the requirement to have sufficient expertise to undertake the work, the project team were required to engage consultants. Updates have been provided to the project board and theatre reference group on a regular basis. In response to the original brief for the Growth and Legacy scheme that defined an exciting and challenging ambition for the Theatre that will have significant, positive and cultural impacts for the town and people of Hertford, the project team working alongside consultants have worked through the first key milestone stage of the Royal Institute of British Architects (RIBA) plan of works. The RIBA plan of work is the definitive UK model for building design and construction projects.

2.2 On 3<sup>rd</sup> October 2019, the Hertford Theatre Project Board signed off the end of RIBA stage 1 Preparation and Brief (Feasibility). RIBA stage 1 consisted of a 15 week period in which the project team and Design Consortium developed early proposals on space planning and

location requirements for the Theatre. The Design Consortium is led by Bennetts Architects and includes expert consultants in the following areas:

- Fire prevention
- design and access
- structural engineering
- mechanical and electrical engineering
- lighting and acoustics
- theatre operations
- landscaping

The development of the RIBA stage 1 design proposals has been an iterative process taking into account operational feedback, structural and services input, planning advice, sustainability options, costs and business planning.

2.3 The scheme that is emerging builds on the Growth and Legacy project approved by Council in July 2018. The design radically 're-thinks' the building: re-orientating its outlook towards the river Lea, considers new and re-worked dynamic performance spaces, introduces new hire spaces for important income generation and brings first release film to Hertford to be shown in three new cinema spaces. It also improves the adjacent green spaces and introduces boardwalks along the River Lea and around the Motte to improve the surrounding public realm and connectivity with The Wash and Castle Gardens. The areas within scope are those immediately adjacent to Hertford Theatre, on the Theatre side of the river. The RIBA stage 1 design proposals will be shared with stakeholders and the public through a number of events and open days in November.

2.4 The original Feasibility scheme, developed in 2018 anticipated a cost of £13.5mn to deliver the full Growth and Legacy brief as outlined in the report. Cost consultants Bristow Johnson have worked alongside the design and project team to produce a detailed cost estimate for the new design proposals including early thoughts on budgeting for key packages of work, logistics and material specifications. Following the detailed analysis of the original costs

and integration of additional information gleaned from the more comprehensive understanding of the design and build requirements, the existing building structure and external market information and influences, a number of additional or revised cost requirements, over and above those captured in the £13.5mn figure for the original Growth and Legacy feasibility design, have been identified.

2.5 As further work has been undertaken by structural engineers it has become clear that the original proposal, made in the 2018 Feasibility, to refurbish the existing single storey building and put the new cinemas on a rooftop extension, is not achievable. The structural engineers have undertaken a study to review the loading capacity of the existing roof slab of the single storey and compare it against what would be required for the cinemas, for example. The loading of the cinema block would be at least 6 times the current loading capacity of the existing roof slab before heavy acoustic finishes are accounted for in the calculation. This therefore means that the roof slab would have to be demolished.

2.6 The current proposals, outlined in the Stage 1 report, are now therefore based on demolishing the single story building that wraps around the main auditorium and putting a new build structure in its place. There is very little of the existing structure that would remain in order to facilitate the new building, hence the most logical, cost effective and risk adverse approach, is to demolish and rebuild. This approach adds significant cost to the project. It is considered that this would have been necessary in the 2018 scheme also but the cost of doing so was not captured in the original estimate as the detailed work to understand the loading capacity had not been carried out at this early stage.

2.7 Other additional costs that have been identified include:

- Replacing roof coverings to the main auditorium and fly tower to improve thermal and acoustic insulation
- High sustainability aspirations incorporating a BREEAM accreditation target of 'Excellent'
- Asbestos removal

- Inclusion of the studio theatre balcony and additional seating to reach the 150 required for the business plan
- Boardwalks along the river edge and around the Motte
- Kitchen fit out for the new and improved food and beverage offer
- A new, additional bookable community room.

2.8 Taking all of the above into account the revised cost estimate for the project comes to a total of £19.9mn. Whilst this is a significant increase on the agreed funding we are confident that the business case demonstrates a strong return on investment. (see 2.13– 2.14).

2.9 The current designs use as much floor area as possible without being over generous and significant rigour has been applied in the way the brief has been interpreted and applied to the cost model. Without the additional investment of £6.4mn it would not be possible to deliver the full Growth and Legacy scheme. Key components of the brief would be compromised which would in turn have an impact on the ability to deliver the business plan, to remove the existing subsidy and to operate with a profit and contribution to the Council (see 2.14).

2.10 Please note that the costings are as comprehensive as possible at this stage and the detail is significantly beyond the cost information that would usually be available at this stage in order to provide a level of confidence in the final figure. It is always possible however, in a complex design and build as this, that costs can change throughout the duration and delivery of the Programme. In order to minimise this risk a significant amount of work has been done to identify and quantify project risk so that realistic contingency is built into the cost plan. For example, a considerable amount of outstanding risk is linked to the building foundations, as it is difficult to identify issues below ground before the commencement of construction works. Initial advice from the project Engineers is that the existing foundations can be re-used, however as this cannot be guaranteed a cautious approach has been taken and costs for new foundations have been included in the current cost plan. The project

and design team has tried to anticipate as many problems as possible and make allowances for them to de risk the process as much as possible. Value engineering will continue to take place through the design process to ensure that the project stays within the cost parameters set.

2.11 In addition to the risk management activities, the project will engage in the most efficient procurement route to limit council risk. It is expected that the existing project and design team will develop a fully co-ordinated design (to RIBA stage 4) before going out to tender for the remaining design and build work. This has proved successful on a number of comparable projects and ensures the transfer of risk to the contractor at the most cost effective stage in the process. Further work will be carried out in the next stage to ensure the most appropriate procurement strategy.

2.12 Despite the uplift in cost, the revised business plan, taking into account all of the improvements outlined above, demonstrates a positive return on investment. The updated design proposals will transform Hertford Theatre into a vibrant cultural hub with a sustainable business plan that offers higher levels of economic and social benefits for Hertford and its sub-regional communities. User numbers are estimated to be more than doubled from current levels to 300,000 visits per annum- contributing towards the Council's Health and Wellbeing Strategy. The projected operational post project profit will increase by £1.2mn per annum whilst covering support services and divisional costs and payment of principal and interest of a 30 years annuity loan. The goal for the Theatre to operate without Council subsidy can be achieved.

**2.13 Current situation:** Hertford Theatre delivers an operational result of £17,501 per annum. After support service costs and capital charge costs Hertford Theatre receives a subsidy of - £311,799 per year from EHDC.

**2.14 On completion:** Hertford Theatre will deliver an operational result of £1,244,372mn per annum. After support service costs and the increased capital charges Hertford Theatre will operate with a surplus and contribution to the Council of + £110,201 per year.

2.15 The business plan has taken a cautious approach to projected occupancy, pricing and interest levels. The biggest uplift in income generation will come through the dedicated cinema screens and the introduction of first release film. The introduction of two bookable community spaces will also provide a significant income stream. Whilst ticket prices have increased slightly to reflect the new offer they are still calculated at the low end of the market. Hire prices for the community rooms have remained consistent at the low end of the market and food and beverage assumptions are also very cautious. The biggest uplift has been in the booking fee which will increase from £1 to £2. This is still in line with comparable market offers. It is considered that overall the business plan has taken a prudent approach and provides ongoing opportunity for flex.

Assumptions and sensitivities have been captured in Essential Reference Paper A.

2.16 The Hertford Theatre Growth and Legacy project will be funded in full by a £19.9mn loan from the Council. This will be repaid in full over a period of 30 years at an interest rate estimated at 2.68% (based on current Government lending guidance). The investment in Hertford Theatre will not impact upon the Council's ability to fund other projects elsewhere in the District.

2.17 In addition to the direct return on investment captured in the business plan the proposed development will deliver substantial public benefits and provide a catalyst for economic growth across Hertford.

### 3.0 Summary

In summary, at the end of RIBA Stage 1, a strong set of strategic design proposals have been developed that meet the brief for the delivery of the full Growth and Legacy scheme agreed in July 2018 and will deliver an exemplar building, for Hertford and for Theatres across the country.

3.1 The significant work that has gone into creating these designs has been carried out alongside a much improved understanding of the building and design requirements which have been costed at an unprecedented level of detail for this stage in the design development.

3.2 It is anticipated, with a good level of confidence, that the cost for the delivery of the project will be £19.9mn.

3.3 Despite the uplift in cost of £6.4mn the business case still demonstrates a strong return on investment. The current subsidy provided to the theatre will be removed and the theatre will operate at a surplus providing a legacy income for the Council and galvanising the wider economy in Hertford.

### 4.0 Implications/Consultations

4.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

### Background Papers

None.

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