

## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people's lives</p> <p>Priority 3 – Enable a flourishing local economy</p>
Consultation:	<p>Consultation has taken place on the early design proposals with the EHDC Planning team, including the development officer, the case officer and the conservation and urban design officer.</p> <p>Consultation on design proposals has also taken place with Hertford District Councillors and Hertford Town Councillors.</p> <p>Stakeholder and Public consultation events are planned for November 2019.</p>
Legal:	<p>There are no statutory requirements arising from the proposals.</p>
Financial:	<p><b>Capital Costs</b></p> <p>The original Feasibility scheme, developed in 2018 anticipated a cost of £13.5mn to deliver the full Growth and Legacy brief and Full Council agreed a £13.5mn loan in July 2018. Following 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 have been identified, as set out in section 2.6 of the main report.</p> <p>The revised cost estimate for the project comes to a total of £19.9mn. As such we are seeking an additional loan of £6.4mn.</p>

The scheme cost of £19.9mn will be fully funded by EHDC loan and repaid in full over 30 years.

Whilst this is a significant increase on the agreed funding we are confident that the business case demonstrates a strong return on investment (see Business Plan).

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. Significant work on identification and pricing of risk has been undertaken to minimise this risk and value engineering work will continue throughout the duration of the project.

### ***Business Plan***

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 current proposal 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.

**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.

**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.

The £19.9mn loan for the expansion work will be repaid in full over a period of 30 years with an interest rate estimated at 2.68% (based on current Government interest rates). Sensitivity work has been undertaken to identify the impact of any change in interest rates. At an increased interest rate of 3% Hertford Theatre would still operate at a surplus of c.£70,000, after costs and loan repayment.

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.

### **Key assumptions and sensitivities - income**

<b>Ticket income</b>	<b>Panto</b>		<b>Live shows auditorium</b>		<b>Live shows Studio</b>		<b>Cinema (3 screens + studio + auditorium)</b>	
	<i>2018/19</i>	<i>Projected</i>	<i>2018/19</i>	<i>Projected</i>	<i>2018/19</i>	<i>Projected</i>	<i>2018/19</i>	<i>Projected</i>
<i>Shows</i>	50	50	88	120	17	100	283	3726
<i>capacity</i>	380	525	408	550	60	150	361	900
<i>Occupancy</i>	85.5%	80%	68.1%	65%	55.3%	65%	29.7%	40%
<i>Average ticket price</i>	£13.47	£14.00	£14.09	£16.00	£8.20	£12.00	£5.67	£8.00
<i>Total users</i>	16254	20962	25188 total live shows 2018/19		52650 total live shows projected		30367	143639
<b>Hire income</b>	<b>Auditorium</b>		<b>Studio</b>		<b>Rooms for hire</b>			
	<i>2018/19</i>	<i>Projected</i>	<i>2018/19</i>	<i>Projected</i>	<i>2018/19</i>	<i>Projected</i>		
<i>Hire hours</i>	72	90	13	100	2431	3640		
<i>Income</i>	£86410	£135,000	£3045	£50000	£61385	£91000		
<i>Average hire fee</i>	£1200	£1500	£234	£500	£25.25	£25.00		

Ticket and hire pricing assumptions are based on analysis of ticket and hire prices among local theatre and cinemas, national benchmarks and the yield achieved at Hertford Theatre over the past years. A prudent approach has been taken to ensure the integrity of the Business Plan.

Hertford Theatre introduced booking fees of £1.00 on 1<sup>st</sup> August 2017 for all tickets sold across all types of ticketed activities including those that are sold on behalf of third party companies. It is assumed that

following the re-opening of Hertford Theatre, booking fees will rise to an average of £2.00 per ticket. This fee would be in line with comparable benchmarks and national averages.

The project includes a new riverside Bar / Café with around 60 covers on the ground floor, a cinema bar / confections stand on the first floor and a boardwalk link to the Motte and Castle grounds, which is expected to draw additional footfall. Penetration and average spend per visitor differs between each event and genre, demonstrated below:

<b>F&amp;B assumptions</b>	<b>Number</b>	<b>Average spend per visitor</b>	<b>Cost of delivery</b>	<b>Staff cost</b>
Walk ups	5000	£2.75	35%	19%
Cinema goers	143639	£1.50	35%	19%
Live / panto / auditorium / studio attendees	73612	£2.25	35%	19%
Community class participants	61880	£1.10	35%	19%
Hire auditorium / studio attendees	37200	£2.25	35%	19%

Assumptions for the food and beverage offer are very prudent and do not take into account the potential for significantly higher custom as a result of the increased connectivity with Castle Gardens.

***Key assumptions and sensitivities - expenditure***

Costs for utilities, waste, cleaning, building

	<p>maintenance and insurance have been calculated using benchmarked costs per square metre over the new buildings total gross internal area of 2,383sqm.</p> <p>An allowance for office and administrative costs has been calculated based on actual costs adjusted proportionately to the proposed increase in footprint and programming.</p> <p>The budget for marketing remains unchanged at £0.30 per customer.</p>
<p>Human Resource:</p>	<p>The operation of the site has a range of indirect costs, for example, HR, marketing and administrative costs. These costs are required to ensure the day to day operation of Hertford Theatre. The project to expand the venue will significantly enhance the facilities and customer experience. To achieve this a revised staffing structure is needed with 1 additional full time position in the bar/café and 6 full time positions in the full time positions in the theatre to manage the extended operational hours, implement the new artistic vision and improve the private hire offer. The Theatres day to day operations will continue to be supported by a number of volunteers in addition to the salaried staff.</p>
<p>Risk Management:</p>	<p>If the current proposals are not approved and the additional funding is not secured it will not be possible to deliver the Growth and Legacy scheme for Hertford Theatre. A number of options have been considered to fit the brief requirements with the business plan requirements and the current design proposals, and associated costs, are considered to be the most cost effective way of delivering the scheme. Without the funding requested, key parts of the brief for the</p>

	<p>growth and legacy scheme would not be able to be delivered which would in turn impact upon the ability to deliver the surplus identified in the business plan.</p> <p>A full risk register and risk management plan has been developed as part of the project management.</p>
<p>Health and wellbeing – issues and impacts:</p>	<p>The Hertford Theatre Growth and Legacy scheme will significantly contribute to the EHDC Health and Wellbeing Strategy across all three priorities:</p> <ul style="list-style-type: none"> <li>• Improve the health and wellbeing of our communities – supporting active and healthy lives, supporting vulnerable families and individuals and engaging the community</li> <li>• Enhance the quality of people’s lives – by creating attractive places and delivering developments that meet the needs of the district and its residents</li> <li>• Enable a flourishing local economy – contributing to a vibrant town centre, supporting local businesses and the local economy and working with others to achieve the right infrastructure for the community.</li> </ul>
<p>Equality, diversity and human rights considerations, and whether Equality Impact Assessment required:</p>	<p>An Equality Impact Assessment was produced for the Hertford Theatre expansion project in July 2018 and considered by Full Council as part of the original approval of the Growth and Legacy scheme.</p> <p>Key points to note are:</p> <p>In the growth and legacy model customer access will be improved across the board to ensure that all customers / users will be able to access all areas of the building. Currently many areas of the front and back of house are not wheelchair friendly / accessible.</p> <p>Market analysis suggests that currently almost 50% of</p>

	<p>Hertford Theatre customers are 45-55+ years with only approximately 10% in the 15-24 year age group. The delivery of the growth and legacy option is expected to appeal to the younger age group, with the offer of first release film and the new food and beverage offering and aims to become the hub of night time activity for the 15-24 year old age group.</p>
Environmental Sustainability	<p>Sustainability is at the heart of the delivery of the Hertford Theatre Growth and Legacy scheme. Hertford Theatre aims to become a beacon for sustainability in the County and for Theatres across the country and will be pursuing a BREEAM Excellent rating, at an additional cost of £600,000. This cost is built into the request for additional funding.</p>