



Cabinet (Resources) Panel

29 July 2014

Report title	Black Country (Growth Deal - Civic Halls and Grand Theatre Improvement Programme)	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Elias Mattu Leisure and Communities	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Tim Johnson, Education and Enterprise	
Originating service	Entertainment and Events	
Accountable employee(s)	Keren Jones	Assistant Director, Partnerships, Economy and Culture
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Report to be/has been considered by	Executive Team	September 2013

Recommendation(s) for action or decision:

- 1) To agree that the project can proceed to final detailed business case, which will be submitted for final consideration by the Black Country Joint Committee and Local Enterprise Partnership (LEP) Board in September 2014.
- 2) To note that £170,000 is allocated from the regeneration reserve in order to proceed with critical stages in the work programme.

1.0 Purpose of the report

- 1.1 This report provides a summary of the work that has been undertaken to advance the **Civic Halls and Grand Theatre Improvement** proposal, since it was considered by the Council's Executive Team in September 2013.

2.0 Introduction

- 2.1 The Civic Halls is the largest business in the Black Country's creative and entertainment sector, generating £4.3 million of Gross Value Added (GVA) in the local Wolverhampton economy. Alongside this the Grand Theatre supports a further £3.6 million of GVA in the wider economy. Both venues have already assessed as supporting 637 jobs directly and indirectly within the wider economy.
- 2.2 There are two main drivers for the Civic Halls and Grand Theatre Improvement Project:
- Firstly, both venues are major contributors directly and indirectly to the local economy, they are highly regarded, well established venues, both with strategic market positions within the wider region. This project will not only safeguard the equivalent of 637 jobs in the wider economy, but attract an additional 510,000 visitors per annum and result in a further 120 jobs being created as a result of the increased visitor numbers and spend.
 - Although both venues draw very large audiences, in return for a modest public sector investment, given the severe pressure on the Council's revenue budget, there is a need to reduce council subsidy. Since 2013/4 the Council's Medium Term Financial Strategy (MTFS) has included a reduction to council support towards the Civic Halls of £500,000 of which £115,000 has already been achieved through efficiencies. The Strategy set out that the remainder would need to be raised from earned income and would require a significant capital investment in the building. Likewise the Grand Theatre's subsidy is in the process of being reduced incrementally over the MTFS period.
- 2.3 These two entertainment venues are not only Council assets in the physical sense, but are also well established operations within the creative industry sector nationally, with Civic Halls being in a unique market position because of its size. To quote one market leader: *"Wolves Civic is an iconic and well-established venue for live entertainment, the different halls offering great flexibility to stage a wide range of events."*
- 2.4 The Council has now secured £6.6 million of external funding towards the improvement project through the Black Country Local Enterprise Growth Deal to support the delivery of a major refurbishment and improvement of the Civic Halls, together with seed corn funding for the Grand Theatre. Both venues are Grade 2 listed buildings owned by the Council.
- 2.5 This report sets out the unique opportunity, by virtue of the external funding offer. For this reason up to £4.2 million is prioritised within the Council's regeneration capital programme, to finalise the Growth Deal. This includes a substantial investment to upgrade the heating and ventilation and deliver essential repairs.

3.0 Scope of the Civic Halls and Grand Theatre Improvement Programme

- 3.1 The planned works for the Civic Halls fall into four key categories:

- **Increased seating capacity and improved catering and hospitality offer:** This includes increased seating capacity through the construction of new higher level balconies (390 additional seats for the Wulfrun Hall, 400 additional seats for the Civic Halls, plus additional accommodation for wheelchair users). Development of multi-purpose spaces includes improved bar and hospitality spaces, conference break out spaces. There will be a complete refurbishment and modernisation of the kitchens and catering facilities.
- **Improved customer facilities:** There will be new and replacement toilet facilities for both Halls, at all floor levels.
- **Improved customer experience and access:** This includes the construction of new lifts, improved access to Wulfrun Hall entrance, improved staircases, new ventilation and redecoration.
- **Modernisation of staging, supporting technologies and facilities for performers, conference organisers and training facilities.** This includes private lifts, new dressing rooms, raised fly tower providing improved training facilities and wider range of backdrops.

3.2 Even without having secured external funding, the Council would need to spend up to £2.0 million on catch up repairs and replacement of the inadequate heating and ventilation system in the Civic Halls. Thus the investment also supports the new Corporate Landlord, as the call on repairs and maintenance budgets will be reduced.

3.3 The works planned for the Grand Theatre will deliver the first set of proposals recommended by the Burns Owen Partnership (BOP) that fall within the existing business envelope. This could involve a set of measures ranging from structural alterations to the backstage area, including flattening the stage, altering the “get in” area, and opening up the foyer to improve circulation and providing additional storage space adjacent to the auditorium and additional dressing rooms.

4.0 Options Appraisal

4.1 The 2015 independent economic impact assessment of the two venues included an analysis of a number of options for the physical improvement of the Civic Halls and Grand Theatre venues. All options were scored using a matrix of a number of factors: boost GVA and jobs, attract wider markets, provide excellent experiences, create a distinctive offer, boost confidence and support regeneration, contribute to civic pride, reduce net public sector subsidy, reduce risk, address affordability.

4.2 The analysis of the various options is summarised below:

- **Option 1: No investment.** The study identified that this would very likely result in the venue losing substantial revenue because of it would be increasingly less attractive to audiences and promoters, and therefore becoming increasingly unviable.
- **Option 2: Consolidate operations with catch up repairs and maintenance.** Under this option council funding would be required to be spent in accordance with the asset management plan for the venue. However, at best this would only allow a standstill position and not enable the Civic Halls to diversify its business or generate new income.

- **Option 3: Invest in the existing venue in order to improve facilities and expand its offer.** This is the option that forms the basis of the proposal, and has been market tested in respect of 2,000 existing users and focus groups of non-users in the West Midlands and in London. It assumes that the improved venue could increase net income through an improved and diversified events and auxiliary offer by 33%. This includes all proposed functions business conferencing, a wider range of events and exhibitions. It is calculated that this would increase earned income by £0.38 million a year.
- **Option 4a: Build a new arena with significantly greater capacity.** This option considered constructing a large indoor arena capable of accommodating large conferences and exhibitions, alongside music, entertainment and sporting events, with a capacity of 8,000 – 10,000. This includes exhibitions and conferences for between 500 – 3,000 delegates. It was calculated that this would require a capital investment of circa £30.0 million. Although this option represents considerable regeneration and economic benefits, this was identified as a high risk option, as trading performance of arenas varies considerably across the UK
- **Option 4b: Develop a site for temporary use to for events that require much greater capacity, alongside investment in the existing facilities.** Under this option a large temporary “warehouse” type arena would be created to test demand for a permanent facility. A “warehouse” model would consist of one space with the ability to accommodate 8,000 – 10,000 people standing, and seating capacity of 5,000, a further space to provide bars and services, and a third structure to act as exhibition space. This option would work in conjunction with the existing and improved Civic Halls and have a lifespan of five years, with the view to testing the viability of a more permanent 10,000 capacity structure. This option was considered by the council, in conjunction with option c, but available sites within the city centre are limited.

- 4.3 The findings were presented to the Council’s Executive Team meeting in September 2013 which concluded that option 3 was the preferred option, but substantial external funding would need to be secured in order to take the project forward

5.0 The Business Case for investment

- 5.1 Given the Council’s Executive Team’s steer that substantial external funding would need to be secured in order to take the project forward an application was made in early 2014 for Black Country Growth Funding through the Black Country Local Enterprise Partnership as part of the LEP’s Growth Bid. This required the project to be assessed and graded by an independent panel using Green Book Economic appraisal methodology. The project was ranked fifth out of the 55 projects that were put forward for inclusion in the Growth Deal, which meant it went forward in the LEP bid as a priority project, with a request for £6.2 million towards the Civic Halls and a further £400,000 towards the Grand Theatre.
- 5.2 All centrally funded public sector spending proposals are required to use the Treasury approach, and all major projects considered for LEP Growth Deal must be prepared using the Treasury’s five case model method:
- The strategic case
 - The economic case
 - The commercial case
 - The financial case

- The management case

5.3 A summary of the case that was been made for the project is set out below.

6.0 The Strategic and Economic Case for Investment

6.1 The Civic Halls and Grand Theatre are located in the city centre, which is the Council's main regeneration priority. The strategic importance and economic benefits that these two venues bring to the city, particularly the city centre, are very significant:

6.2 **Council's Corporate Plan, City Strategy and Black Country LEP Strategic Economic Plan** highlight the need for the city to develop a strong cultural offer as an integral part of its economic strategy. In modern economies the quality of the cultural offer is an increasingly important role in attracting and retaining a skilled workforce and promoting a positive and vibrant image to investors.

6.3 **Economic growth and support to local businesses:** The Civic Halls is the largest business in Black Country's creative sector, generating £4.3 million of GVA in the local economy. Alongside this the Grand Theatre supports a further £3.6 million of GVA in the wider economy. The independent economic appraisal highlights that many smaller retail and hospitality businesses located in the city centre benefit from the footfall generated by the Civic Halls and Grand Theatre. It is estimated that 510,000 additional visitors will be attracted to the city centre per annum as a result of the improvement project. This level of increase in visitor numbers would not only safeguard the existing economic benefits but increase them by a further £1.7 million.

6.4 **Safeguarding and creation of jobs through the Civic Halls Improvements:** This increase in visitor numbers computes to a calculated additional £385,000 of earned income that will be generated at Civic Halls, enabling the service to meet its savings target, thus:

- Safeguarding 158 direct jobs at the Civic Halls and its local supply chain and 479 indirect jobs in the wider economy.
- Creating a further 72 direct jobs mainly in the local supply chain and 35 indirect jobs in the wider economy.

6.5 **Safeguarding and creation of jobs through the Grand Theatre:** It is estimated that a considerable number of additional visitors will also be attracted as a result of an improved hospitality and customer experience and increase the variety of the events that can be secured.

6.6 **Culturally led regeneration and housing:** The Centre of Economics and Business Research Limited (2013 Report for Arts Council England) highlights that an urban centre in the UK which has twice the average level of cultural density has been found to generate an average £26,817 increment on the value of housing. This means that maintaining and enhancing the cultural offer in Wolverhampton has a key role to play in helping to unlock investment on the brownfield sites in and around the city centre that are planned to deliver up to 1414 homes. Increasing City centre living is a key strategy to increase spend within the local economy.

- 6.7 **Construction industry:** The refurbishment programme will also provide opportunities for the local supply chain, as well as the possibility of local employment opportunities in the construction industry. The construction sector is one of the key sectors for growth in the Black Country Strategic Economic Plan. It is calculated that up to an additional 122 construction jobs will be supported during the refurbishment of the project.
- 6.8 **Workbased Training and Learning:** The Centre for Economics and Business Research Limited (CEBR) 2013 highlights the importance of the cultural, creative and entertainment sector in helping to rebalance economies that have been in decline and that the largest centres for culture also have the largest levels of employment in the knowledge economy. In Wolverhampton there is considerable opportunity to exploit the links between the cultural offer and learning and training at all levels. For example, the proposed Civic Halls refurbishment includes enhancing the venue's training facilities. This will enable the Civic Halls to develop its existing commercial partnership with Wolverhampton College to deliver BTEC performing arts courses – benefiting 60 students per annum. From September 2014 the Civic Halls will also host the country's first venue based accredited HND course linked to degree courses in Stafford and Wolverhampton. Direct suppliers to the Civic Halls, also use the venue as their full time training area. Approximately 150 - 200 people are trained to NVQ level 2 in door supervision, spectator safety and first aid. Discussions are also being had with the University of Wolverhampton to provide work placements and internships at degree and post-degree level. It has been estimated that there will be an additional 350 learners per annum benefitting from enhanced training facilities once the project is completed.
- 6.9 **Economic inclusion and the creation of a creative economy intermediate labour market:** The Greater Birmingham Visitor Economy Strategy Economic Impact study by Regeneris (2014) highlights importance of the visitor economy job opportunities in providing opportunities for lower skilled, often younger job seekers, and that these jobs can be particularly valuable for the chronically unemployed population or those that struggle to obtain regular employment. A refurbished Civic Halls, with an increased all year round events programme, has the potential to create one of the largest "intermediate labour markets" in the city by working in partnership with YOO, the Council's recruitment company and the Wolverhampton Adult Education Service.

7.0 The Commercial Case for Investment

- 7.1 In making the case for the Growth Deal Investment, the Council was required to provide evidence of market demand in order to support the case for public investment in the Civic Halls. The findings from the independent economic appraisal helped to make the commercial case, as a range of well-established quantitative research methods were used to analyse the current supply and demand, assess the potential of redevelopment to commercialise the operations and increase levels of earned income.
- 7.2 The economic impact assessment concluded that the Civic Halls has a unique position within the market. With a seating capacity of 3,000, and close proximity to good rail and road infrastructure, the Civic Halls are already the largest entertainment, events and cultural venue in the Black Country and are therefore uniquely positioned to grow to meet any gaps or new opportunities opening up in the urban West Midlands market.

- 7.3 The 2013 Arts Council audience development project mapped the reach of the Civic Halls. It demonstrates that, with the right product, the venue can draw national audiences from across the UK, particularly West and East Midlands, London and the South East, South Wales and Devon (**see Appendix A attached**).
- 7.4 Other evidence captured in the BOP report that supports the case that improved venues will generate the additional income includes:
- The Civic Halls and Grand Theatre are already established and popular venues which draw very large audiences, in return for a comparatively modest public sector investment.
 - There is a large pool of potential new audiences that could be drawn upon. Young visitors to the West Midlands, in particular, are attracted by live events and music, festivals, arts and culture, and night life.
 - Over 2,000 people surveyed by BOP who are customers of the Civic Halls rated the range and quality of the offer very highly at 96%. The BOP report supports the proposed capital investment. 74% of the current audience said they would visit more regularly if the capital investment increased the seating capacity. If the stage and backstage improvement meant that the Civic could host bigger shows and offer more choice, then 41% of the current audience say they would visit more regularly).
 - 47% of the Civic Halls' current audience that was surveyed said it was important to improve the ancillary offer e.g. bar and hospitality offer.
 - Members of the entertainment industry, with whom the Civic Halls venue has established relationships, have confirmed that improvements to the Civic Halls would make it easier to book bigger and more varied shows.
- 7.5 **Further commercial opportunities:** The fact that the Council has pursued grant funding through the Black Country LEP has significantly raised Wolverhampton's profile and interest within the commercial entertainment sector, which could open up further sponsorship and partnership opportunities for the Council.
- 7.6 **Diversification into niche business conferencing:** The economic assessment highlighted that there was also an opportunity to focus in niche business events and conferencing as part of the overall approach to city centre regeneration. In May 2014 a report by Regeneris for Marketing Birmingham identifies a potential gap in urban West Midlands market for an additional 1,500 capacity conference and exhibition venue. The Black Country Chamber of Commerce has also confirmed that there is a gap in provision to meet the demand for niche business conferencing. This indicates that as well as growing in its established sector of entertainment, there is the opportunity for the Civic Halls to diversity into new markets, and further increase the return on investment in the medium to longer term.
- 7.7 Commercial opportunities for niche business conferencing in the UK will also be stimulated by national policy. Visit England has been set a national growth target of a 5% increase in domestic business visitor trips. Given Wolverhampton has a number of nationally

important high value manufacturing growth sectors, and a business facing university, it is well positioned to capture some of this market, provided it improves its offer. If successful, there are considerable spin offs as business visitors enjoying their stay can also support cultural and leisure economy either through extending their stay, or a follow up cultural and leisure trip.

8.0 The Financial Case for Investment

- 8.1 The table below summarises the planned financial contributions for the Civic Halls element of the project:

Civic Halls	Sources of funding
Capital works (includes professional fees for design and site supervision and project management)***	Growth Deal Grant - £6.2 million Council Regeneration Capital- £3.4 - £4.1 million
Enabling works e.g. technical surveys, planning, building regulations, acoustic testing***	Council Regeneration Capital - £0.1 million
Total capital	

***Cost estimates provided by Council corporate landlord and property services

- 8.2 **Leverage for the Council:** The Council's Capital investment levers £6.2 million Growth Fund for the Civic Halls and a further £800,000 for the Grand Theatre, thus significantly improving both Council assets. It should be noted that even without having secured external funding, the Council would need to be spending around £2.0 million alone, just to address basic maintenance issues such as the inadequate heating and ventilation system and deliver essential repairs. The outcome from attracting external funding of £6.2 million for the Civic Halls will not only create a substantially better performing facility that would no longer require a Council subsidy, but from the interest that the proposal has already generated among major industry players, a major refurbishment of the Civic Halls will also open up significant partnership opportunities.
- 8.3 **Council savings targets:** A key driver is to enable the Civic Halls to generate additional income to meet the savings target. Refurbishment and improvement of facilities would enable additional income to be generated through the current revenues streams that already provide a substantial revenue stream for the Council. Increased seating capacity will help to increase ticket sales and increased bookings of the venue by entertainment promoters. Improved bar and hospitality areas, coupled with new modern catering facilities will help to increase secondary income from both the current and the additional audience numbers. Improved customer comfort, will help to generate increased number of repeat visits. Modernisation of staging, supporting technologies and facilities for performers, conference organisers and training facilities will also help to attract bigger and more popular performers.

- 8.4 This would not only mean that the Council's entertainment service would become cost neutral, it would also be able to make a contribution of around £118,000 towards the cost of the Council's other cultural venues e.g. Bantock House, Bilston Craft Gallery, the Art Gallery and Museum. The upgraded facilities should also reduce the premises related costs currently met by the corporate landlord. In addition, the improved more flexible and upgraded venue will open up new opportunities to generate further commercial revenue through niche business conferencing and leisure events.
- 8.5 **Grand Theatre:** The improvements to the Grand Theatre are planned in two stages, the first phase, which is included in this proposal, is to make improvements within the existing business envelope. This could involve a set of measures ranging from structural alterations to the backstage area, including flattening the stage, altering the "get in" area and opening up the foyer to improve circulation and providing additional storage space adjacent to the auditorium and additional dressing rooms. This part of the project will be at no costs to the Council.

9.0 The Management Case for Investment

- 9.1 One of the key factors that make the project attractive for the first phase in the Black Country Growth Deal is that the buildings are in the Council's ownership, thus making delivery of a capital project easier to deliver. In addition, the feasibility work has already been completed, as shown in the table below:

Project feasibility studies	These have been completed for both the capital element and business continuity element, including an independent economic impact assessment and options appraisal.
Project design and costings	Concept designs and detailed schedules have been produced. Calculations on costs have been completed, and recently been reviewed and uplifted to take account of price increases, and a predicted start on site, summer 2015 (see attached summary). Further detailed work is due to commence in August 2014.
Statutory and other consents	Initial discussions have been held with Wolverhampton's Planning service. Further work will take place to secure all necessary consents.
Delivery partner procurement	The project will be project managed by Wolverhampton City Council and the new Corporate Landlord function that has been recently established. A dedicated technical team will be appointed, and all construction work will be tendered through normal standing orders and in compliance with OJEU regulations.

- 9.2 The project is now at a critical stage. In order to secure the Growth Deal funding, the project needs to have delivered £2.5 million of Capital expenditure during the 2015/6 financial year. This requires the Council to proceed with a number of critical activities as listed below:

code	Main tasks
Workstream 1: Feasibility and business case development	
S7	Complete further work on the commercial business case
S8	Complete further work on the management case e.g. procurement method
Workstream 3: Technical development and construction	
T1	Review and update survey information
T2	Concept Design (old RIBA stage C)
	Refine concept design
	Refine outline proposals for structural design
	Prepare building services systems design
	Prepare outline specifications
	Refine costings
T3	Procure technical team
	Procure technical team for detailed design onwards

- 9.3 An allocation of £170,000 has been approved from the regeneration reserve to progress with these stages of the work. This work is also required to strengthen the final business case that will be put forward to the Black Country Local Enterprise Partnership, Black Country Joint Committee and Council Cabinet Resources Panel.

10.0 Financial implications

- 10.1 Section 8 of the report sets out the financial case for investment. The total scheme cost is estimated at £10.4 million of which £6.2 million has been secured from the Growth Fund. The remaining £4.2 million, which includes a contingency sum, would be met from Council resources, though private sponsorship of up to £300,000 may be secured which would reduce the sum required from the Council.
- 10.2 As reported in the quarter 1 monitoring of the Council's capital programme a budget of £6.5 million has been identified for investment in regeneration priorities. The Council's matched funding to the Growth Fund allocation would be met from this budget following approval in September of the final business case.
- 10.3 The current medium term financial strategy has a savings target from 2014/15-2018/9 of £500,000 from the civic halls budget. In 2014/15 efficiency savings of £115,000 have been delivered and the remaining savings are planned to be achieved through

generating additional income. The additional capacity and improved facilities following the proposed investment provide the opportunity for the facility to meet the savings targets in the current MTFS.

- 10.4 There is a requirement for urgent work to be undertaken as set out in paragraph 9.2 to finalise the bid and prepare for delivering the project in advance of final approval in September. These will be met initially from the regeneration reserve but if the scheme is approved these costs have been included in the overall capital estimates for the scheme.
- 10.5 The project will result in significant short term disruption to the programme of events at the Civic Hall which will have a significant financial impact. The business continuity arrangements will need to be considered as part of the final report in September [MF/16072014/W].

11.0 Legal implications

- 11.1 There are no immediate legal implications arising from this report. Details of the grant agreement with the Black Country LEP are awaited. These will be considered as part of the final business case to be presented to Cabinet (Resources) Panel in September 2014 and any legal implications arising from the grant will be considered in that report. [RB/14072014/J]

12.0 Equalities implications

- 12.1 Improvements to the Civic Halls will promote equalities, as they include making the buildings more accessible to disabled people and creating a more family friendly environment.

13.0 Human resources implications

- 13.1 This proposal will help safeguard all jobs in the Council's Entertainment Service and enable the Council to move from reliance on zero hours contracts to create one of the largest intermediate labour markets in the city.

14.0 Corporate landlord implications

- 14.1 Property Services have been fully involved in the preparation of draft schedules and contracts. They will be part of the project steering group going forward and lead the in-house technical team.