

**Name of meeting:** Cabinet

**Date:** 21st September 2022

**Title of report:** Kirklees Cultural Heart,  
part of the Huddersfield Blueprint – Gateway 2

**Purpose of report:**

Following the Cabinet approval of the Strategic Outline Case (SOC) at Gateway 1 in November 2021 this report provides an update on the development of the Kirklees Cultural Heart programme as part of the wider Huddersfield Blueprint. Cabinet is being asked to consider the appended Outline Business Case (OBC) and the associated Royal Institute of British Architects (RIBA) stage 2 masterplan at this Gateway 2. Approval in this report is being sought for the Gateway 2 proposals and the further development of the preferred masterplan option and approval to proceed to Gateway 3.

A number of detailed appendices are attached to this Cabinet report.

In order to move to Gateway 3, the report asks Cabinet to release up to £10.5m to allow the council to carry out necessary work with partners to progress the scheme. These costs are itemised in section 2.8.

As part of Gateway 3 and further milestones, Cabinet will have the opportunity to consider updated reporting on market conditions, phasing, and design detail before progressing to further phases of the programme, including construction.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b>  <b>Expenditure &gt;£250,000</b>
<b>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u></b>	<b>Yes, published 18<sup>th</sup> August 2022</b>  <b>Public Cabinet report with public and private Appendices.</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Strategic Director Growth and Regeneration</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>David Shepherd – 8<sup>th</sup> September 2022</b>  <b>Eamonn Croston – 8<sup>th</sup> September 2022</b>  <b>Julie Muscroft – 9<sup>th</sup> September 2022</b>

Cabinet member <a href="#">portfolio</a>	Cllr Graham Turner Regeneration Portfolio Holder, Cllr Paul Davies – Corporate Portfolio Holder
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**Electoral wards affected:** Newsome

**Ward councilors consulted:** Newsome ward councilors were consulted on the progress of the scheme to RIBA 2 as part of the public consultation for planning during May and June 2022.

**Has GDPR been considered?** Yes

**Public or private:** Public Cabinet report with public and private appendices.

**The appendices set out below can be found by accessing the following link**  
[Document Appendices | Kirklees Council](#)

Appendices to the Cabinet Report are set out below. In the public report the OBC has been redacted and some of the OBC's appendices have been withheld or redacted.

Appendix 1, Outline Business Case (OBC)

Appendix 2, appendices to the OBC

Appendix 3, RIBA Stage 2 Design Executive Summaries Report, Appendix O to OBC

Appendix 4, Social Value paper

Appendix 5, Consultation Report

Appendix 6, Integrated Impact Assessment

Elements of Appendices 1 & 2 are private in accordance with Schedule 12A Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006 namely it contains information relating to the financial and business affairs of third parties (including the Authority holding that information). It is considered that the disclosure of the information would adversely affect those third parties including the Authority and therefore the public interest in maintaining the exemption, which would protect the rights of an individual or the Authority, outweighs the public interest in disclosing the information and providing greater openness and transparency in relation to public expenditure in the Authority's decision making.

# 1. Summary

## 1.1 Introduction/Context

Launched in June 2019, the Huddersfield Blueprint aims to transform the town centre. As one of six key elements of the blueprint vision, the Cultural Heart focuses on the Queensgate Market area and includes regenerating iconic and historic local buildings such as the library and gallery.

The aim of the programme is to regenerate and celebrate the heritage of Huddersfield while offering new cultural experiences for residents and visitors to enjoy a revitalised town centre.

Proposed elements of the Cultural Heart include:

- A new library.
- A new museum.
- A new gallery
- A new food hall.
- A new event venue: which can be scaled up or down for live music, theatre, cultural events, and conferences.
- A new town park and outdoor event space.
- New parking.

As a major transformational programme, development of the Cultural Heart is reviewed through each stage of a gateway process. The gateway process sets key milestones for progressing the programme. This approach allows Cabinet to take stock of progress and consider factors such as changing market conditions and stakeholder views. At each stage, Cabinet is invited to endorse the outcome of the gateway and move forward to the next gateway.

In June 2021, Cabinet entered the gateway process by commissioning a Strategic Outline Case (SOC) and an Outline Business Case (OBC) for the Cultural Heart. The SOC was agreed by Cabinet in November 2021 at Gateway 1. Working with development partners, a detailed OBC has now been completed and is appended to this report.

The report, and its appendices, mark the completion of Gateway 2. This means that Cabinet can now agree the Outline Business Case, which includes the RIBA Stage 2 design and master plan for the site. This stage of the gateway process allows Cabinet to confirm the preferred development option in light of further information in the OBC.

In order to move to Gateway 3, the report asks Cabinet to release up to £10.5m to allow the council to carry out necessary work with partners to progress the scheme. These costs are itemised in section 2.8.

As part of Gateway 3 and further milestones, Cabinet will have the opportunity to consider updated reporting on market conditions, phasing, and design detail before progressing to further phases of the programme, including construction.

## **1.2 Structure of the report**

This report is structured to ensure all relevant information is provided in a logical manner to support the recommendations to proceed beyond programme Gateway 2, and release resource to progress the scheme to programme Gateway 3. The report begins with a background to the programme development so far. Next a comprehensive overview of the Outline Business Case is provided. The report then moves on to set out the design development achieved for the Cultural Heart during RIBA stage 2. Next, the ongoing resource requirements are described, providing detail on the professional team and their costs to Gateway 3.

The report then explains the preferred method for procurement of construction and other contractors. Additional information is provided on the associated projects that will need to be addressed as the Cultural Heart progresses from design and into delivery. An itemised cost breakdown of the resources required to progress to Gateway 3 is then provided, along with the outcomes that will be achieved at this next programme event.

A brief overview of progress made on the sustainability and social value strategies is set out next, followed by commentary on stakeholder engagement to date. An overview of programme risk is presented to recognise the detailed and effective approach to risk management for the Cultural Heart.

Financial and legal justification is then provided, alongside an overview of consultation responses to date. The report concludes with a series of recommendations required to progress through Gateway 2 and towards Gateway 3.

## **1.3 Delivering the Cultural Heart Programme to Gateway 2 – Outline Business Case**

The Strategic Development Partner (SDP) has consulted with partners to bring forward the OBC. The purpose of the OBC is to revisit the shortlisted options identified in the SOC, to identify the option which optimises public value (Preferred Way Forward) following more detailed appraisal; and to set out this option while confirming deliverability within approved budgets and putting in place the management arrangements for the successful delivery of the programme.

The preferred option in the SOC has been further developed by the Delivery Team and the further development of the Preferred Way Forward is presented as part of the OBC.

Likewise, the progression of the master plan builds on the principles of the SOC layout but with the time to further develop the layout they now take account of heritage issues, urban design and maximises use of the site. The area requirements of each of the buildings have now been firmed up and their size and height and relationship with the existing buildings has been developed.

The OBC provides the detailed financial (capital and revenue) and economic impact assessment for the Preferred Way Forward and follows the Green Book methodology. The Green Book is guidance issued by HM Treasury on how to appraise policies, programmes, and projects.

The OBC report also provides the baseline proposals for the future control and confidence in the further design, procurement, and construction phases and provides Cabinet with the appropriate information to control and determine the future direction and funding of the Cultural Heart programme.

## **1.4 Securing Appropriate Resources**

Funding totaling £6.55m from the council's approved multi-year capital plan was approved by Cabinet on the 22 June 2021 to progress the programme to Gateway 2. A further £1m was approved by Cabinet on the 9<sup>th</sup> August 2022. Originally the Gateway 2 Cabinet was expected to be in July and the additional funding was agreed to allow work to continue into September to maintain the programme timeline.

Council departments and teams are engaging and consulting with the Cultural Heart Delivery Team to deliver the programme including the service team end users, planning, highways, corporate landlord, town centre regeneration, capital developments, procurement, legal, finance, major projects and comms.

Throughout this report the SDP and the design team, including the architect and engineer, who have been engaged to deliver the Cultural Heart programme, will be referred to as the Delivery Team.

Also see Section 2.4, Project Team in this report

## **2. Information required to take a decision**

### **2.1 Background**

The blueprint has been regularly considered by Cabinet and the links to those reports are set out in Section 9 of this report.

A Programme Board was established shortly after the programme initiation to provide governance and strategic direction for the programme. The board is made up of Council Strategic Directors, Service Directors, Heads of Department, senior Council staff and a representative of the SDP. The chair of the board is the Strategic Director for Growth and Regeneration.

A Technical and Quality group and a Master Plan group comprising mostly council officers have also been convened to provide technical checks and balances at appropriate milestones for the work completed by the Delivery Team.

A Finance Group, that is chaired by the Service Director - Finance, has also been established. This group has responsibility for oversight and review of relevant budgets for costs and income for the Cultural Heart programme, and maintains the overall financial model of the development, and gives the Board ongoing assurances on the reasonableness or otherwise of financial assumptions that feed into the SOC and OBC.

The programme is regularly presented to the Executive Team, Leadership Management Team, and the Regeneration Policy Holder Board. Programme updates are presented to the relevant scrutiny panel between each gateway.

The programme is considered by the Cabinet at each of the gateways for approval to proceed to the next stage.

## 2.2 Development of the Outline Business Case, Gateway 2

The OBC has an Executive Summary (ES) with paragraphs ES1 – ES45. Pages i to xix.

The OBC main report sets out the business case for the Cultural Heart and is structured as follows and as set out below:

- Section 1 – Introduction page 1
- Section 2 - **Strategic Case** page 4
- Section 3 - **Economic Case** page 46
- Section 4 - **Commercial Case** page 60
- Section 5 - **Financial Case** page 70
- Section 6 - **Management Case** page 89
- Section 7 - Summary & conclusions page 107

### 2.2.1 Introduction, (see App 1, ES1-ES2 & Section 1, page 1)

The purpose of the OBC is to re-confirm the strategic case for the programme and to outline and test the detail of the Preferred Way Forward which optimises public value. This OBC has been prepared using the UK Government’s Treasury Five Case Model methodology.

The OBC builds on the work done in the first stage of the programme and the development of the SOC at Gateway 1 (Cabinet, November 2021). The OBC describes in more detail the investment, affordability, and the management of the finances over the programme lifecycle.

In developing the OBC for Gateway 2 the Delivery Team have worked with the Programme Board and the relevant service teams to refine the preferred option master plan, building sizes and requirements of the service teams. This work has then informed the capital and revenue budget estimates.

Where third parties are being considered to operate the venue, food hall and multistorey car park the appointment of these operators will be timed to meet the appropriate milestones for their input. These operators will bring the necessary skills and knowledge of their respective marketplaces.

Cost management exercises have been completed to refine the cost plan for the projects within the Preferred Way Forward. The ‘Do Nothing’ and ‘Do Minimum’ approaches have also been costed to provide a baseline for evaluation as part of the OBC process.

As part of this process, the Department of Cultural Media and Sport (DCMS) understand that investment in cultural and creative services realises benefits beyond the purely economic and immediately commercial outputs. As such social and cultural returns on investment will accrue from the Cultural Heart programme.

DCMS has established the Culture and Heritage Capital Programme to work towards a sector wide methodology. A paper, “Valuing culture and heritage capital: a framework towards informing decision making” was published in January 2021

The Cultural Heart is, therefore, a strategic regeneration programme which sees its investment repaid across the long-term and in a broad range of social, economic, and cultural metrics. This places the programme firmly within the overarching context of the blueprint.

It has to be recognised that the Cultural Heart will create the opportunity for growth but to deliver that future success it will need to be managed and promoted.

Like many town centres, Huddersfield faces several challenges. These include the changing high street uses, with declining retail but growing experiential uses; remote working; the need to engage young people (including its large student population); and competing with adjacent towns and cities. The Cultural Heart will help to reinvigorate the town centre, creating a vibrant, diverse, and resilient town centre offer. It will be a thriving place to live, work and visit as well as attracting a range of audiences throughout the day and night, providing increased direct and secondary spend.

Relevant case studies from elsewhere highlight the important impacts that cultural regeneration and placemaking can have, with significant returns on investment (places such as Halifax, Margate, and Wakefield), as well as improved educational, employment, and civic pride outcomes. Moreover, regeneration has catalysed the wider redevelopment of these town centres and supported local businesses by increasing private sector confidence and associated investment.

### **2.2.2 Strategic Case, (see App 1, ES3-ES14 & Section 2, page 4)**

This section of the OBC revisits the Strategic Outline Case (see App 1, Section 1, 1.4 to 1.9) to re-confirm the strategic objectives as set out by the Programme Board, the case for change, the context of the programme and that the short list options remain valid. It also provides a summary of the supply and demand assessment, the scope of the proposal and identification of the benefits, risks, dependencies, and constraints of the programme

The Cultural Heart will deliver many of the council's strategic social, economic and cultural objectives. It is one of the blueprint's six key regeneration areas and will be a catalyst for change in the town centre, creating a coherent and hugely impressive cultural offer on a central campus.

The Cultural Heart will create the core facilities and stimulate the provision of ancillary facilities, services and opportunities by the private, third and academic sectors. This catalytic role will help regenerate the town centre, establishing a foothold in the entertainment and business events market, and creating a platform to grow the economic and social vibrancy of Huddersfield and the wider Kirklees area.

The concept employed has been that the developments within the Cultural Heart programme are – with the exception of income from the car park- not of a commercial nature. All the new assets involve significant additional Council revenue resources to service the borrowing costs required to fund the capital investment and meet increased operating costs. In this context the proposal is fundamentally of a strategic nature and not comparable to some other schemes elsewhere that include a larger element of income which offset costs.

The benefits of the investment are defined as likely to include:

- Increased number of visitors to Huddersfield
- Increased visitors stay and spend in Huddersfield and Kirklees
- Increased level of usage of cultural facilities by residents
- Higher national and regional profile for the town and Kirklees
- Additional economic Gross Value Added (GVA) to Kirklees
- Generate new full time and part time jobs
- Catalyst for further private sector investment in the town centre (in retail, leisure and accommodation sectors)
- Greatly enhanced community facilities
- Protecting key cultural assets and cultural benefit
- Enhanced green amenity in the town centre
- Increased sustainability of facilities

- Positive impact on Social Value of the town centre offer
- Improved ancillary facilities

### **2.2.3 Economic Case,** (see App 1, ES15-ES29 & Section 3, page 46)

This section of the OBC describes the development of the short-listed programme options including design, capital cost, projected operational performance and considers the economic case for each

The master plan for the Preferred Way Forward has been further developed with input from the Delivery Team the council's service teams and the Programme Board.

This resulted in the Preferred Way Forward which maximizes the cultural ambition of the blueprint, enhances the heritage buildings, develops a strong town centre profile, creates a new Town Park and a platform for improved services, while being deliverable and achievable within the programme timetable. It has strong sustainability and financial credentials, maximising social and economic impact and establishes a platform for safeguarding cultural service delivery.

The car parking requirements have been considered and based on the assessment undertaken a new car park of 250-350 spaces is sufficient to serve the Cultural Heart scheme (see App 1, Section 2, 2.84 to 2.91)

The redevelopment under the Preferred Way Forward is expected to increase confidence in investment in adjacent opportunity sites and wider development opportunities in Huddersfield and Kirklees by third parties or third party partners.

As part of establishing benchmarks for the Cultural Heart development two further options are considered in the OBC:

- Option 1, Do Nothing/Business as Usual (BAU). In terms of the Cultural Heart this approach would still require significant maintenance and repair works to be completed on the library and market hall buildings, with the associated cost. There would also be expenditure associated with the maintenance of the now demolished previous multistorey car park site. The piazza would require investment to bring it back into retail, if demand existed, or other long term use.
- Option 2, Do Minimum – this is a combination of refurbishment and refocussing of purpose of existing facilities/buildings, with a minimum of demolition and new-build. The Do Minimum whilst delivering a number of the requirements does so in a basic way.

For images of the options see App 1, Section 3, 3.7

The Do Minimum option to achieve the stated ambitions is:

- Library remains in its existing refurbished building
- Small venue of 1,200 capacity on demolished retail block on Princess Alexandra Walk.
- Art gallery in part of refurbished market
- Food hall in remainder of refurbished market
- Northern retail block retained partly to house a smaller museum and keep some Piazza retail. This would mean retaining a large part of the wall on Queens St.



- Small/minimal urban park after demolition of Piazza retail at junction of Queens Street and Queensgate
- Multistorey car park rebuilt on site of former car park
- New steps to the University and the Lawrence Batley Theatre

A number of the design developments in the Preferred Way Forward scheme are related to planning and heritage considerations and so it is therefore likely that further work would need to be done on the Do Minimum option to meet with planning approval. For the Do Minimum option, all of the costs associated with the Do Nothing option would be included as they are health and safety works.

The key economic outputs have been assessed for all of the three options which set out the benefits of the Preferred Way Forward.

The SDP has prepared a full detailed cost analysis report for each of the options based upon the RIBA Stage 2 design (see App 1, Section 5, 5.4)

The visitor estimates and full time employment figures are the highest for the Preferred Way Forward at circa 1m visitors and 298 FTEs (see App 1, Section 3, 3.33 to 3.46)

The Preferred Way Forward also scores highest in terms of the other net additional impacts:

Options/Impacts	Option 1 DN (£m)	Option 2 Do Minimum (£m)	Option 3 PWF (£m)
Net additional expenditure (£m)	£2.9	£9.5	£18.1
Net additional direct jobs (FTE)	36	144	238
Net Direct, Indirect & Induced Jobs	50	179	298
Net direct GVA Annual (£m)	£1.2	£4.9	£8.1
Net Direct, Indirect & Induced GVA Annual (£m)	£1.7	£6.1	£10.2
Net D,I&I GVA Cumulative 10 years (£m)	£17.1	£61.3	£101.8

The Preferred Way Forward also scores highest in terms of the Benefits Cost Ratio (BCR):

The Cost Benefit Analysis (CBA) was assessed for the options over a 30-year period at 3.5% discount rates and having regard to Government and regional parameters. This results in a range of BCR's for the Do Nothing option at 1.4, the Do Minimum at 1.2 and option 3 the Preferred Way Forward at 1.5.

BCR's need to be above 1:1 and Her Majesty's Treasury guidance is that 1.5 offers medium value for money, on a scale of low, medium and high. The BCR is an indicator of the relationship between the relative costs and benefits of the proposed options for the Cultural Heart programme.

The level of the BCRs (within the range of 1.2-1.5) in part reflects the strategic regenerative nature of the scheme where all the benefits are not fully captured in monetary terms and the difficulty in valuing cultural and public service investments.

With the Do Nothing option it should be recognised that the economic performance of the town centre will likely continue to decline and so the metrics for this option get worse over time.

A number of alternative scenarios have also been modelled in the OBC to test the sensitivity of the BCR results to a change in key variables. The range of outcomes is expressed in row H in the table below.

<b>AST - Costs and benefits over 30 years</b>	<b>Option 1 DN</b>	<b>Option 2 Do Minimum</b>	<b>Option 3 PWF</b>
A. Present Value Benefits (£m)	£58.7	£237.5	£365.4
B. Present Value Costs (£m)	£42.2	£203.6	£247.2
C. Net Present Public Value [A-B]	£16.5	£33.9	£118.2
D. Benefit-Cost Ratio [A/B]	1.4:1	1.2:1	1.5:1
F. Significant Non-monetised impacts	Limited induced impacts	Moderate induced impacts	Significant induced impacts
H. Switching Value costs/benefits (BCR=1)	45%/-31%	+17%/-14%	+48%/33%

The above economic case analysis will be reviewed as part of the finalisation of the programme delivery (Final Business Case) at Gateway 4 once the commercial position is fully understood as the construction contracts will have been negotiated and be ready for award. None of the options achieve a treasury assessment rating better than medium

The above analysis will also inform the preparation of a scheme Benefit Realisation Plan (BRP). This will focus on the work that will need to go into maximising the visitor numbers and overnight stays which are fundamental to the BCR and the future success of the Cultural Heart.

#### **2.2.4 Commercial Case**, (see App 1, ES30-ES31 & Section 4, page 60)

This section sets out the commercial case for the programme, including an overview of how the preferred option could be managed and procured effectively

The Commercial Case sets out the working assumptions relating to the procurement, management and contracting of the key services required to deliver the Preferred Way Forward. These include:

- The appointment of the SDP (Turner & Townsend) to manage the programme on behalf of the council by direct appointment from the SCAPE Place Shaping Framework in July 2021.
- The professional team procurement via the National Health Service Shared Business Services (NHS SBS) Framework using a NEC4 Professional Services Contract, with the appointment of FCB Studios (to develop the master plan and architectural design and be lead designer) and ARUP (to develop the structures and civil works and the mechanical and electrical proposals for the scheme) in October 2021.
- The construction procurement approach has been developed through a series of workshops between the SDP, the council and Addleshaw Goddard (legal). The council will be seeking construction contractors with the relevant skills and experience to deliver a programme of this complexity and scale.
- The proposed construction approach will be further developed over the next period considering the current and predicted financial, economic and construction context.

- There will be a mix of operational/management approaches across the site, including direct Council operation for the Public Buildings including library, art gallery and museum and third party operators for the venue, food hall and potentially the multistorey car park. Soft market testing for the venue and the food hall have shown that there is interest in the opportunity.
- The venue operator will be brought on board at a point that allows them to have input into the design/fit out of the building. Food hall operators are normally not appointed until twelve months before operation and the timing of the multistorey car park operator is assumed to be also twelve months prior to operation.

### **2.2.5 Financial Case, (see App 1, ES32-ES41 & Section 5, page 70)**

This section presents the financial case for the development of the Cultural Heart and gives a financial analysis for the three options. This section also provides a detailed analysis of the Preferred Way Forward, including a summary of the capital costs, operating position, deliverability within the approved budgets and Council prudential borrowing debt servicing costs.

The Capital Development Budget of £210m inc external Delivery Team fees (but excluding any internal fees) is built into the current Council multi-year capital plan from February 2022 and assumed an annual debt servicing cost post-construction, at the then prevailing Government public works loan board (PWLB) 50 year maturity loan rates of 2% (net of the council's 0.2% certainty rate discount). The annual debt servicing cost post-construction i.e. 2027/28 was assumed to be in the region of £6.8m, thereafter increasing in relatively manageable increments.

At the time of writing the OBC and following recent global events and consequential macro-economic impacts, PWLB borrowing rates have become particularly volatile, with equivalent rates for a 50 year maturity loan currently at 3.2%, hence the revised £9.5m per annum debt servicing cost immediately post construction.

In addition to the above, future revenue operating costs are estimated to be an additional net £3m (£5.33m before income and existing operating costs) per annum post-construction, relative to current Council revenue base budget provision. Furniture, Fixtures and Equipment (FF&E) capital requirement of £10m and pre-opening costs of up to £4m, and potentially other costs referred to in Section 2.7 of this report, which would also need to be considered in relation to the subsequent development of budget proposals for 2023/24 and future years to feed into the annual budget report for consideration at Budget Council in February 2023.

Elements of the pre and post operating costs above are subject to consideration of future operating models across the sites various activities.

To assess the operating costs of the Cultural Heart the SDP held a series of workshops with the service leads and directors to support the development of future service requirements and departmental business plans to support this. This included outlining programming and facility (spatial) requirements and building up a cost base, including staffing, for delivery of the service (see App 1, Section 2, 2.28 to 2.34 and Section 5)

The income associated with cultural developments like the Cultural Heart is modest as entry to most of the public buildings is free of charge. In the assessments income from the new multistorey car park only has been considered and not income associated with other Council owned car parks in the town centre that will be used by visitors to the Cultural Heart. At this stage in this financial assessment, it is a working assumption that the council will operate the new car park.

Also see financial Sections 2.8 & 3.7.1 in this report.

### **2.2.6 Management Case**, (see App 1, ES42-ES44 & Section 6, page 89)

Turner & Townsend have been appointed as the Strategic Development Partner for the programme. A Programme Execution Plan (PEP) has been prepared, with key governance through the Cabinet, Programme Board and Key Steering Groups of Masterplan, Technical & Quality and Finance.

The PEP sets out the way in which the programme will be managed including programme and project management, programme team structure, programme timetable, change control, risk management, procurement and Cabinet approval process using Gateways.

### **2.2.7 Summary and Contacts**, (see App 1, ES45 & Section 7, page 107)

This section provides a short summary of the outcomes of the OBC and the next steps / way forward for the programme to Final Business Case (FBC) which will capture any updates since the OBC and the award of the construction contracts at Gateway 4.

The completion of the OBC and the other attachments to this report provides with Cabinet the required information to assess and control the future direction of the programme and ensure that council resources and funds are committed appropriately. The OBC includes details of the operational aspects and costs of each of the assets in the Cultural Heart when in use.

## **2.3 Development of RIBA Stage 2 design and master plan**

The RIBA Stage 2 Report and master plan for the Cultural Heart has been compiled by the design team (see Appendix 3)

This builds on the proposals within the SOC from November 2021 and the Stage 1 design work that was developed between October 2021 up to January 2022. From February 2022 to May 2022 the Stage 2 process has been concentrated.

The key activities undertaken in the Stage 2 period include:

- Developed the concept scheme design with the library, museum and art gallery service teams, and visited relevant precedent buildings
- Refined the proposal for a separate two storey art gallery, which also provides enclosure to the park and enlivens the street scene at the lower level on Queen Street and the upper park level.
- Developed a concept to provide the combined car parking and venue building on the old multistorey car park site
- Developed landscape proposals for the Cultural Heart, along the principle of four 'outdoor rooms'
- Produced outline engineering designs for all aspects of the scheme, coordinated with the architectural and landscape proposals
- Developed sustainability targets and key performance indicators (KPIs) for all aspects of the programme
- Met with Inclusion and Diversity teams within Kirklees

- Engaged with, presented proposals to, and received feedback from Historic England, 20thC. Society and Huddersfield Civic Society on the emerging concept designs
- Developed strategies for fabric improvements to both Listed Buildings (existing market hall and library) to meet sustainability targets and address existing building shortcomings
- Engaged with Yorkshire Water, Kirklees District Heating Team and Northern Power Grid

The principal changes to the master plan from the Preferred Way Forward in the SOC and stage 1 design are the venue moving to the same plot as the multistorey car park and the introduction of a separate art gallery on the junction of Queens Street and Queensgate and the food hall being in the existing Queensgate Market.

Relocating the venue creates a better setting for the two Grade II listed buildings and maximises the park/public realm with the introduction of a public square that will be able to host outdoor events of up to 3,000 people.

The Gallery building is necessary to provide an edge to the Town Park facing Queensgate and at the same time bringing life to Queens Street. The art gallery will have active frontages and entrances at both levels onto Queens Street and the upper park level.

The Stage 2 Concept Design, and as further developed by the Stage 3 early work, provides the following accommodation across the site in response to the current Brief.

- |  |   |
|--|---|
| • Library  | 4,760 sqm GIA   |
| • Museum   | 5,730 sqm GIA   |
| • Art gallery  | 2,950 sqm GIA   |
| • Venue  | 7,660 sqm GIA   |
| • Food hall  | 2,330 sqm GIA   |
| • Multistorey car park   | circa 350 spaces (20% electric vehicle charging points) |
| • Park/Public Realm - Flexible, family friendly, inclusive, safe, green character, ability to host up to 3,000 person events |   |

Since the beginning of June work has commenced on the RIBA Stage 3 design work and the further refinement of the design to support the development of the construction timeframes.

## **2.4 Project Team**

### **2.4.1 Delivery Team**

Following Cabinet approval on the 22<sup>nd</sup> June 2021 and the programme initiation on 5<sup>th</sup> July 2021, the SDP was appointed, bringing together the necessary skills and resources to deliver the Cultural Heart programme. The SDP is comprised of the specialist disciplines, capacity and experience of similar master plan scale programmes that was not available to the council in house.

As part of their work on the programme the SDP have been responsible for the procurement of the design team. Procurement of the architect and multi-disciplinary engineers was concluded

during October 2021 and since then they have been developing the RIBA Stage 1 & 2 designs and the master plan and now the RIBA Stage 3

Led by their Programme Manager, the SDP together with the architect and engineer have been working alongside the council, using recognised processes and procedures, to further develop the brief and the OBC for the Cultural Heart and set out the strategy for the future.

#### **2.4.1.1 Extension of the Delivery Team Appointments beyond Gateway 2**

All the Delivery Team resources that are currently engaged on the programme are appointed to this Gateway 2 only and so if the council are to maintain progress to Gateway 3 their appointments need to be extended to cover the next stage -.

The Delivery Team have successfully developed the strategies and the design to this point and have the knowledge of the programme. The strategy for the further engagement of the Delivery Team is set out in the OBC (see App 1, Section 4, 4.1 to 4.16 and 4.28 to 4.29).

The resource and services that are being provided to the council for the Cultural Heart programme are:

- **Strategic Development Partner** for cost, development and programme management, business case research and writing, planning and other support services including procurement, Health & Safety and BIM
- **Architect** for master planning and architectural design, lead designer service and sustainability
- **Engineer** for multidisciplinary engineering services providing civils, structural, MEP, sustainability, and specialist design services.

This report has been sequenced to follow on from the Medium Term Finance Strategy re-refresh report which will go to Council on the 7th September 2022. The original OBC budget of £6.55m was sufficient to cover the Delivery Team fees, surveys and other costs to the end of August. To cover the period up to the end of September, when this report will have been considered, on the 9<sup>th</sup> August Cabinet approved an extension to the available budget of £1m taking the total to £7.55m.

Within the allocated budgets it has been possible to include early RIBA Stage 3 design to maintain the programme.

#### **2.4.1.2 SDP Services Extension (Mace/T&T)**

The SDP was appointed to the Cultural Heart programme by direct award from the SCAPE, Place Shaping Framework, an approach that was set out in the report to Cabinet on the 22<sup>nd</sup> June 2021 and approved. The SDP's appointment did not include an automatic option to extend however, it has been confirmed that it is permissible to extend under the SCAPE framework.

At the start of the programme the appointment of the SDP was set up in this way to deliver the OBC report only as at the initiation of the programme it was unclear what ongoing support the council would need if the programme was to progress beyond this Gateway 2.

The tasks of the SDP to this stage have been to assist in assessing the viability of the programme and in addition to preparing the OBC, to provide direction through project

management procedures and processes, with a clear set of actions to set up, assure and deliver the programme to the council's objectives.

In this report Cabinet is being asked to proceed beyond Gateway 2 to Gateway 3, as the next stage in the delivery of the programme. To continue this journey the council continues to need the services and resources being provided by the SDP.

Under an extension to their contract (deed of variation) the SDP would continue to be the lead and work alongside the council and the other members of the Delivery Team to continue working up the best value solutions, maintaining governance and provide assurance through recognised processes and procedures. In addition to this they have successfully delivered the programme to the Gateway 2 milestone and the early stages of the RIBA Stage 3 design.

The council are seeking a lump sum fixed fee from Mace/T&T and whilst there are other options it is normal for this type of appointment to be done this way and this is the way that the initial appointment was done. It gives greater cost certainty to the council, usually leads to less conflict, and is more easily managed.

In asking for a lump sum and with the lack of competition there is the possibility of an over allocation of resources by the consultant. However, in this type of pricing the consultant is taking on some risk. A proposal detailing the full cost breakdown and all associated resources will be provided. Any potential overpricing is going to be insignificant when compared to the option of retendering the works which would potentially mean losing all the knowledge gained and also losing up to 4-6 months of time through the tender process. In addition to this the council would have the associated costs and risk of standing down the rest of the Delivery Team whilst any SDP tender took place and then the consequential delays to the programme.

The financial commitment to extend the SDP fee from Gateway 2 approval to Gateway 3 is £1.523m.

#### **2.4.1.3 Architectural Services Extension (FCB)**

The architectural services were tendered from the NHS Shared Business Services Construction Consultancy Services Framework, under Lot 1 (Architectural Services). Tenders were based on a fixed fee for the RIBA Stage 1 & 2 services to Gateway 2 together with a priced fee schedule for a number of scenarios catering for future RIBA Stages (3-5) through to completion and allowing for options around the construction contract procurement route and the construction contract value. This was to maintain competition in the original tenders and give flexibility whilst the preferred master plan and construction contractor procurement route was developed.

These percentage fees beyond Gateway 2 were scored as part of the tender process and Feilden Clegg Bradley Studios (FCBS) were the successful bidder following this process.

FCBS has confirmed that they are unable to adhere to the previously submitted percentages beyond Gateway 2 due to the complexities and scope of the programme of works as it has developed. FCBS has submitted a revised proposal, comprising a resource schedule adhering to the SCAPE rates but increasing the amount of time they require to undertake all of the services required to complete the design.

From an initial assessment of FCBS's proposed fee from Gateway 2 to completion there is an overall addition of £1.53m meaning that the fee would be £5.569m. The SDP has revisited the original tenders and when the additional percentages are applied to the schedule of FCB tendered fees FCB's amended Total Score keeps them in first place of those that tendered. The Total Score for the tenders is based on, Quality (60%), Social Value (10%) and Fee's (30%).

The financial commitment to extend the FCB fee from Gateway 2 approval to Gateway 3 is £1.367m.

#### **2.4.1.4 Engineering Services Extension (Arup)**

The process for appointing the engineering services provider was similar to the architectural process using the same framework under Lot 12 (Multi-Disciplinary team and Ancillary Services) and tenders were based on a fixed fee for RIBA Stages 1 & 2 together with a priced fee schedule for a number of scenarios catering for future RIBA Stages (3-5) that was part of the scoring. Arup were the successful appointed bidder.

The financial commitment to extend the Arup fee from Gateway 2 approval to Gateway 3 is £1.493m.

### **2.5 Construction Contractor Procurement**

The phases of this project originally assumed that OBC would be in July 2022. That has been delayed which led to the agreement to increase the fees allocated for Gateway 1 to Gateway2 . The original timetable also assumed that the commencement of the procurement of key contractors would commence at the beginning of Gateway 3. As there have been delays the procurement has been commenced as part of the end of Gateway 2.

The procurement strategy for the construction works is a key element of the programme delivery phase and has been developed by the SDP and the council. It is likely there will be a limited number of suitably qualified and experienced construction contractors that could deliver a programme of this scale.

Therefore, the SDP has worked with the council to build awareness of the programme within the contracting market and through buyer's days to engage with bidders to establish communication channels and remove where possible barriers to tendering (see App 1, Section 4, 4.17 to 4.20 and 4.30).

The proposed construction approach is to develop construction zones using market knowledge and considering current and predicted financial context. Those Zones would go through a 2-stage restricted competitive tender process for Design and Build contracts. There is a possibility of 1 or more contractors being appointed using this approach.

The works in each zone will be packaged to take account of the different skills needed as the project is a mix of significant new build and large scale refurbishment works to the Grade II listed existing library and Queensgate Market. Packaging the work into zones gives differing package sizes and values making it attractive to more contractors.

Early engagement has commenced, with contractors being asked to express their interest in being included on the tender lists via a prequalify process. This enquiry went out on the 15<sup>th</sup> August 2022. The selected tenderers will then submit bids for the pre-construction phase based on minimum overheads and profits (set by the SDP/Council) and their fees for the pre-construction period.

The preferred contractor for each zone will then be appointed under a Pre-Construction Services Agreement (PCSA) for six months. During this time the contract sum will be negotiated and if appropriate certain enabling works, including demolition will take place. The contractors will also become responsible for progressing the design from the end of RIBA 3 under the PCSA and then into the main contract.



This 2-stage route with minimum overhead and profit and a negotiated contract sum is being followed to foster a relationship of collaboration with the appointed contractors and mitigate the risk of price escalation after the works have started on site.

Following the PCSA period and the conclusion of the contract negotiations the main contracts will be awarded and a start on site made. At this stage if the budgets are under any pressure consideration can be given to re-scoping the works or introducing phasing.

All construction contract appointments will be subject to a cabinet decision at the appropriate time. It is anticipated recommended parties for construction contracts will be presented for approval at Gateway 4 of the Cultural Heart programme.

## **2.6 Third Party Operator Procurement**

The procurement strategy for the third party operators is a key element of the programme delivery phase and has been developed by the SDP (see App 1, Section 4, 4.23 to 4.25 and 4.31 to 4.44).

As described previously third party operators are being proposed for the venue, food hall and possibly the multistorey car park. Particularly with the venue and food hall these operators will bring the necessary skills and knowledge of their respective marketplaces. The appointment of these operators will be timed to meet the appropriate design milestones for their input where this is required, or the Delivery Team will make the design decisions.

Soft market testing for the venue and the food hall have shown that there is interest in the opportunity and the initial stages of the venue procurement have commenced (see App 1, Section 2, 2.32)

Each procurement will be through the appropriate process for that particular market. For the venue operator procurement, a Competitive Dialogue Procedure will be used. The Selection Questionnaire was issued on the 15<sup>th</sup> August 2022 for operators to confirm their interest in being involved in the bidding process. Officers will then bring forward a recommendation on operator selection to Cabinet.

## **2.7 Associated Projects**

There are a number of separate projects that need to be considered alongside the Cultural Heart. Each project, subject to necessity, scope, scale and timing and approval to proceed, will require budget allocation. Business cases will be brought forward to Cabinet for approval by the relevant directorate/service team where appropriate.

- **Stall holders.** Queensgate Market stall holders move, this project was approved at Cabinet on the 5<sup>th</sup> July 2022 and has a budget allocation.
- **Storage review,** this project is in the concept stage and is assessing the wider Council storage needs in Huddersfield town centre both during and beyond the delivery of the Cultural Heart.
- **Tolson and Clock Tower.** Future use of the Tolson building and its Trust status will be considered separately to the museum move into the Cultural Heart.
- **Operational FF&E** required by the service teams as part of their move into the Cultural Heart will be considered in a separate report.
- **Pre-opening.** Service team pre-opening staff and any third-party assistance, these costs are associated with the service teams liaising with the Delivery Team, preparing to open, cataloguing the collections and subsequent operational requirements, and

will require their own service team budgets, these costs are estimated at circa£3.94m across a four-year timescale.

- **Move in.** Service team moves into the Cultural Heart, these moves will require their own service team budgets
- **Operational revenue budgets.** Service team operational budgets for the Cultural Heart are estimated as a net £3m increase.

## 2.8 Costs and Funding Availability

Whilst the scheme is a major investment for the council in both capital and revenue terms it is considered that it is likely to deliver positive economic impacts and significant social impacts. The OBC recognises that the scheme is estimated to attract circa1,000,000 visitors and would generate a large GVA, which is a key measure of economic wellbeing, for the town and Kirklees, let alone the region. These visitors will be from a local, regional and national catchment. The associated GVA is discussed in the OBC (see App 1, Section 3), and sets out the stimulus that this will bring to the social, economic, and cultural make-up of the area and enhance the regions reputation.

Council multi-year budget plans approved at Budget Council on 16 February 2022 includes £210m capital costs for the scheme, profiled over the 2021-27 period. Included in the SDP's Financial Report (number 4) dated 1<sup>st</sup> July 2022 for the £210m investment is £15.86m for contingency and £16.25m for cost inflation over the period; a combined amount of £32m equivalent to 15.2% of the overall scheme cost

This figure excludes an estimated Council Fixtures, Fittings and Equipment capital cost and potential other costs which would need to be factored into future updated Council capital plan requirements. (see Section 2.7 above). Current approved multi-year capital plans to support the Cultural Heart include provision for the costs of £7.55m to achieve Gateway 2 and the work into September. It is assumed that the required funding would be from Council prudential borrowing.

While this report sets out an overarching context for the delivery of a £210m programme plus identified associated project costs, at this stage Cabinet is being asked to approve that the Cultural Heart programme proceed from Gateway 2 to Gateway 3 at which point a further report would come back to Cabinet for consideration at the earliest in Q1/Q2 of 2023. Therefore, the resource request in this report is for up to an additional £10.5m to cover the work from Gateway 2 to Gateway 3.

This sum is made up as set out below,

Delivery team fees	£4.383m
Surveys, Allowances & PCSA	£2.781m
Decant costs/vacant possession	£2.000m
Asbestos removal, strip out, diversions	£0.800m
<u>Contingencies</u>	<u>£0.540m</u>
Total	£10.503m

These costs are fundamental in achieving the strategic objectives of Gateway 3 in whatever form the programme takes.

The council annual debt requirement for the Cultural Heart would need to be serviced from general fund revenue. At the time of writing the OBC this is estimated to be in the region of £9.5m per

annum by the time of scheme completion in four to five years' time, the MTFS re-fresh report presented to Council on 7th September acknowledged the current volatile economic context for estimating Council future debt servicing costs on new borrowing, and clearly this volatility will need to continue to be in view for each of the subsequent gateway stage reviews of the Cultural Heart programme as regards capital investment overall affordability in the context of the council's subsequent overall budget plan development.

Operational revenue and capital costs will also need to be factored into future updated Council capital plan requirements

The OBC predicts that the preferred option would be the most likely option to deliver the highest outputs. However, it depends on the council being able to afford the necessary capital and revenue inputs. In the changed financial circumstances that face the UK economy, and the council, it will be necessary during the stage 3 of the gateway process to revisit the options to be sure that it is affordable and brings best value for money.

The £210m figure excludes the cost of projects at Section 2.7 and any Council staff resource or capitalisation of these costs. However, regarding Council staff resources, as the Delivery Team are providing the resources for the programme the council resources currently directly engaged in the development are limited. The demands of the programme will be continually monitored, and any Council resources engaged at the appropriate time in collaboration with Heads of Departments.

As outlined previously as well as continuing the design after Gateway 2 the process of construction contractor and venue operator procurement will continue. If at Gateway 3 Cabinet agrees to proceed to Gateway 4 it would be at this Gateway 4 that any commitment to proceed with the construction contracts [venue operator??] would be made at the conclusion of the contract negotiations under the PCSA.

As the programme is made up of a number of different assets there is the potential to consider reviewing delivery phasing should market conditions change and align the programme with available funds. However, the savings reduce, and the abortive costs increase the further the design and delivery process have progressed, and any phasing would mean the impacts of inflation on the budgets would have to be taken into account when restarting the works. The part demolition between Gateway 3 and Gateway 4 would also have an impact on options available as these buildings could no longer be reused.

If the do-minimum/do-nothing options were to be delivered instead of the preferred option going forward, there are likely to be abortive costs.

Work will continue to look at these matters as part of moving from Gateway 2 to Gateway 3.

## **2.9 Outcomes**

So far, the programme has achieved Gateway 1 and this report presents Gateway 2 and seeks permission to move to Gateway 3

**Gateway 1**, November 2021, the Strategic Outline Case included

- RIBA 0 Strategic brief
- Outline feasibility/viability
- Development appraisal (outline)
- Master development programme timetable
- Market review
- Cost plan, review existing estimates

- Constraints/risk register
- Sustainability strategy
- Design team selection
- BIM Execution Plan
- Vision and mandate
- Outline planning strategy
- Heritage assessment

**Gateway 2**, September 2022, Outline Business Case includes

- RIBA 2 & Master plan
- OBC update of outline feasibility/viability
- Determining Value for Money
- Affordability and funding review
- Update of development appraisal
- Master development programme timetable
- Planning for successful delivery
- Survey and investigation reports
- Market review
- Cost plan
- Constraints/risk register

At Gateway 2 all elements of the programme including design, functionality and finances associated with capital and revenue have been further assessed in detail and their viability tested and how they sit within the master plan for the Cultural Heart.

**Gateway 3**, Q1/Q2 2023

- RIBA Stage 3
- Surveys, part strip out & asbestos removal
- Update on construction contract sum negotiations under the Pre-Construction Services Agreement.
- Update on progress with venue operator
- Target date for planning permission Q1 2023 (target submission Autumn 2022)
- Vacant possession of the site including 60% of the Piazza units

## **2.10 Sustainability**

The Cultural Heart sustainability strategy has encompassed the councils 2038 Carbon Neutral Vision and policies, encouraging sustainability, and minimising the carbon footprint of the programme. It is recognised that a net zero economy, design, construction, and operation cannot be achieved overnight, but will be a process of incremental and positive actions to meet 2038 targets.

The brief for the sustainability strategy for the Cultural Heart was developed by the SDP and further developed by the design team as set out in the report 'Strategic Sustainability Plan' (see App 1, Section 2, 2.14 to 2.22). This plan addresses the wide range of sustainability topic areas that are now vital to working towards net zero sustainable schemes, in the longer term. Each key theme that has been identified is supported with a vision, strategic approach, and delivery approach. Proposed

KPIs have been developed to further support the delivery of each theme in-line with Climate Emergency and net zero aspirations.

The Delivery Team has used the Strategic Sustainability Plan to develop a programme specific sustainability response that is tailored to the building uses and types as new and old buildings present very different challenges when it comes to achieving sustainability. There are a number of preliminary targets across the range of topic areas.

- embodied carbon,
- operational carbon,
- certification,
- water use,
- biodiversity,
- climate risk,
- transport, and
- health and wellbeing.

Much of the existing best practice guidance and industry benchmarking for low carbon buildings is based on new build office, residential, retail or education buildings. The targets set by the Delivery Team have been developed through a mixture of energy modelling and interpretation of best practice guidance for other building uses. This has enabled the Delivery Team to specifically identify what good, low carbon design looks like for this cultural programme, which has a mixture of new and creatively re-used and re-purposed buildings within it.

A Kirklees Council Net Zero Carbon and Sustainability Group has met to provide a dedicated gateway for decision making prior to Cultural Heart Programme Board approvals. It is intended that this group includes consultees who contributed to the original Strategic Sustainability Plan as well as members of the council and the Delivery Team an appointed third-party specialist. The group will comment on the preliminary targets and review the development of the programme against these. This approach combines project management and sustainability expertise to highlight the critical importance of delivering on sustainability requirements where possible, while also being a conduit to share best or innovative practice across the council and the Delivery Team.

As well as establishing the targets and KPI's the Delivery Team have focused on.

- Energy efficiency strategy
  - Reviewed emerging Stage 2 designs for all buildings and advised on energy efficiency improvements
  - Provided target building fabric performance for all buildings
  - Undertook predicted operational energy modelling using PHPP for both the museum (existing library) and the new art gallery
- Low carbon heating appraisal
  - Reviewed several different heating strategies for the emerging master plan. This analysis included predicted operational carbon and energy costs of leading options.
- Renewable energy feasibility
  - The opportunity for maximizing PV deployment has been investigated across the site.
- Embodied carbon
  - The embodied carbon of the proposed buildings and landscape have been assessed.
- Energy and sustainability KPIs
  - An overarching set of targets have been developed for the programme

A detailed action plan for the council's previously announced Climate Emergency Declaration across the whole of Kirklees is expected in Autumn 2022 and this will further define and inform this programme.

## **2.11 Social Value**

Social Value (SV) is about using every means to get the best possible outcomes for local people. The council's SV objectives are:

- Promoting employment in Kirklees and supporting youth employment
- Supporting the Kirklees economy – maximizing the impact of the Kirklees Pound
- Investing in ways that benefit our local communities the most
- Growing our relationship with the voluntary and community sector and local business.

During the four-to-five-year life of the Cultural Heart implementation programme SV and the associated benefits to the community will be a significant part of the procurement and evaluation process associated with the extension of the contracts for the Delivery Team and selection of the construction contractors and operators.

The SDP, architect and engineer are delivering their SV commitments and the Social Value Portal is being used to measure the outputs. Social Value Portal is endorsed by the Local Government Association and helps us to procure, measure, manage and report SV via a single platform. The council are also reviewing the wider SV policy with new proposals to go before Cabinet.

It is proposed for the construction procurements that in addition to the requirement for meeting fundamental SV minimum standards and working towards key targets that consideration is given to also establishing a Cultural Heart Trust Fund for cash contributions (see Appendix 4). The mechanism for administration is to be further explored and finalised.

## **2.12 Stakeholders**

There are ongoing consultations and workshops with internal stakeholders as part of the stakeholder management plan that has developed the OBC and RIBA Stage 2 design and master plan, including:

- Libraries
- Museums & Galleries
- Events
- Parks
- Parking
- Culture
- Highways

Details of the internal and external stakeholders consulted so far as part of the process are set out in the OBC (see App 1, Section 2, 2.28 to 2.34).

The Phase 1 round of planning public consultation was launched on the 23<sup>rd</sup> May 2022 to give everybody a chance to comment on the latest plans for the Cultural Heart in preparation for the planning application. In 2019, the council consulted local people on the Huddersfield Blueprint: a ten-year vision to create a thriving, modern-day, family friendly town centre which informed the initial decisions on the Cultural Heart and other parts of the town centre.

This current consultation builds on the feedback received so far and will help the development of the design proposals for the Cultural Heart. Phase 2 of consultation commenced on the 15<sup>th</sup> August 2022 and will end on the 14<sup>th</sup> September 2022, prior to the submission of a planning application in the autumn. Feedback for Phase 1 of the consultation and Phase 2 for the period 15<sup>th</sup> Aug to 5<sup>th</sup> September on the consultation is included at Appendix 5.

Any further comments from Appendix 5 to the end of the consultation, that are materially different to those in the appendix, will be presented at cabinet.

### **2.13 Risks.**

The risk management strategy for the Cultural Heart is supported by the programme Gateway method of decisions and delivery. At each Gateway Cabinet are invited to review progress to date, reflect on the current and specific circumstances, and determine the most appropriate way forward for the overall programme.

This report is limited to decisions concerning the Preferred Way Forward, the progression of the scheme design and the arrangements necessary for reaching Gateway 3 in a timely manner.

The financial risk is similarly limited to the resource required to achieve Gateway 3, ie up to an additional £10.5m to complement the funds allocated at Gateways 1 & 2.

Work to achieve Gateway 3 for the Cultural Heart will involve ongoing market engagement with interested contractors to determine the most effective delivery, acknowledging the current economic and financial context prevailing globally, nationally, and locally. The results of this engagement will be presented to Cabinet at Gateway 3, alongside any recommendations to adapt the procurement and delivery strategies. Programme risks will be best managed by ensuring the most effective delivery arrangements for Kirklees Council are presented to cabinet at every gateway.

Developments like the Cultural Heart programme have delivery and operational risks and the OBC has been prepared against a backdrop of current global and national events which will have varying ongoing short to medium term economic & financial impacts.

Also programmes with the scale and complexity of the Cultural Heart come with a number of inherent risks that need managing and the identification and management of risk is a subject that features a number of times in the OBC both in terms programme delivery and operation.

The project has arrangements to manage risk within the context of the approved business case.

If the council is comfortable that the current preferred option is the project it wishes to progress and it has the necessary funding to meet the capital, interest/capital cost consequences and increased operating costs, the risk management arrangements should be adequate.

As set out in Section 2.8 of this report the £210m budget includes allowances to manage risk assessed against the current market conditions. There is a general contingency to reflect the current early status of the design and delivery process, and an inflation contingency benchmarked against the Building Cost Information Service Construction Data (BCIS), which is an industry recognised standard, to accommodate the current expected fluctuations in construction pricing.

Also as set out in Section 2.8 there is the potential to consider reviewing delivery and phasing should market conditions change and align the programme with available funds.

### **3 Implications for the Council**

#### **3.1 Working with People**

This report deals with the delivery aspect of one part of the blueprint. The blueprint was subject to a number of engagement exercises commencing in 2018 as part of the blueprint development and then again late in 2019 after the blueprint launch the council undertook a Place Standard exercise to benchmark public reaction to the approach and projects. The key report for this can be found by accessing the following link:

<https://howgoodisourplace.org.uk/huddersfield-town-centre/>

As part of initial development work into options around the core projects a number of external stakeholders have been consulted as a way of testing out and developing options. A programme of this scale will continue to require engagement and consultation at various stages of programme development.

Another two phases of public and stakeholder consultation are currently underway in preparation for the planning application that is expected to be made in Autumn 2022 (subject to Cabinet approval to proceed at Gateway 2). This consultation builds on the consultation feedback received so far and is another opportunity for the community to consider and help shape the development of these important plans prior to the planning application being submitted. Further engagement and consultation will be programmed in over the course of the project to ensure resident, businesses and key stakeholder remain informed and engaged.

#### **3.2 Working with Partners**

Collaboration and working together with partners are the key to ensuring the council get the best outcomes for citizens, communities, and Kirklees as a whole. Early contact with selected stakeholders has been undertaken to help shape some early options for projects within the Cultural Heart. This will continue and be expanded as the programme is developed.

There will be a number of third party operators involved in the services provided in the Cultural Heart for the venue, food hall and the multistorey car park. Soft market testing for the venue and food hall have shown that there is interest. There are choices for the operation of the multistorey car park that include using an independent car park operator or by the council.

The form of the commercial arrangement and partnership with these three operators has not yet been determined but will be influenced by further market engagement, the preferred operator selection process and what is in the best interest of the council.

#### **3.3 Place Based Working**

The development of the blueprint and the associated Place Standard exercise has already engaged town centre stakeholders, businesses, and users to help shape the overall approach to redeveloping Huddersfield Town Centre, including the plans for the Cultural Heart. The buildings and spaces create opportunity for wider use.

The Social Value Trust model (see Section 2.11 in this report) where it is proposed to establish a Cultural Heart Bond for cash contributions will help strengthen community and voluntary sector partners who are delivering place-based working throughout Kirklees.



### **3.4 Climate Change and Air Quality**

The reduction of carbon emissions and the minimization of air quality problems is a key objective for the blueprint. As set out in Section 2.10 of this report the sustainability strategy and net zero requirements have been further developed building on the work that was done for Gateway 1.

Both Climate Change and Air Quality are key parts of the master plan and design. This in turn will inform the planning application and the future detailed design work.

In addition, climate change initiatives are associated with the delivery and promotion of other projects and programmes for example sustainable transport modes that help to reduce adverse transport derived impacts on communities and public health.

### **3.5 Improving outcomes for children**

The blueprint includes within it a key objective of providing a family friendly town centre. This means that uses, streets and places will favor all age groups including children. Part of the strategy to renew the town is to bring in new uses that attract families and young people in a way the town does not at present. This means that the introduction of cultural activities and associated food and beverage offers need to be managed in a way that appeals to all age groups.

Additionally, streets and spaces such as the Town Park will be designed with all generations in mind making them both safe and inclusive at the same time.

The range of venues that will be clustered in the Cultural Heart including the park, museum, art gallery, library, food hall and not least the venue will provide opportunities for children to explore, learn and have fun.

### **3.6 Cost of Living Crisis**

When the Cultural Heart is operational and available for use by the residents of Kirklees a number of the assets will be free to use and being centrally located are easily accessible by public transport. The campus style development also means that there are many attractions in one place with a variety of offers that are family friendly and appealing to all age groups.

As well as a place for leisure the Cultural Heart will also create a variety of new job opportunities that are accessible by bus and train and these new 'workers' in the town centre will need the services that already exist thereby increasing spend in the town and supporting those businesses.

### **3.7 Other (Legal, Financial or Human Resources)**

#### **3.7.1 Finance**

The financial implications arising from the Cultural Heart ambition are significant, and the report sets out the overarching rationale for the resource implications for the preferred Option 3 as set out in the accompanying OBC.

However, Cabinet are being requested at this stage to formally commit only to approve up to a further £10.5m drawdown from the current headline £210m capital allocation for the Cultural Heart programme to progress the Cultural Heart programme development to Gateway 3 where the development of the programme to Gateway 4 will be considered further.

The £210m built into current Council multi-year capital plans is a headline overall programme allocation based on the preferred option 3 as set out in the OBC. As noted earlier at Sections 2.2.5 and 2.8, PWLB borrowing rates have become more volatile, certainly over the short term, for example rates have increased again recently from the 3.2% in the OBC to 3.8% (net of the council's 0.2% certainty rate discount). If these rates were to persist this would move the annual debt servicing costs from £9.5m to £10.3m, post-construction, in 2027/28. The above calculation is based on a current 'snapshot' Government PWLB interest rate calculations at the time of writing this report

As also set out at in this report at Section 2.7 earlier regarding associated programme costs, future revenue operating costs for the preferred option are estimated to be up to an additional net £3m per annum post-construction, and additional pre-operating revenue costs of up to £4m in total; relative to current Council base budget provision. Also, there is a further estimated Fixtures, Fittings & Equipment capital requirement for £10m. The above 'up to' costs will also need to be factored into overall updated Council budget plans for 2023/24 and future years, subject to further consideration through to Gateway 3.

The overall primary case for the blueprint vision relating to the Cultural Heart programme, as set out in this report, is Strategic.

The council's existing multi-year revenue and capital medium term budget plans and financial strategies for 2022/23 and future years, approved at Budget Council on 16 February 2022, had previously acknowledged that this programme would be a significant strategic investment priority commitment to deliver major long term regeneration for the district.

The subsequent 2023/24 Medium Term Financial Strategy (MTFS) report to Council on 7th September further updated a number of baseline spend and funding assumptions in the council's current rolled forward multi-year revenue and capital plans, setting out a financial planning framework for subsequent budget development for the remainder of the current 2023/24 budget round.

The MTFS report highlighted the emerging scale of the global, national and local economic, financial and societal impacts from the current cost of living crisis and modelled the impact on the council's current and future years forecast financial position. The MTFS report also acknowledged that the environment within which local government, and all sectors of the economy, are currently operating, is volatile, fast moving and also acknowledged that there were anticipated to be forthcoming government announcements on how to tackle the cost of living crisis that were likely anyway to impact significantly on MTFS budgeted assumptions. And also, in recognition of this, further reports would be brought back to Cabinet and Council to further update on the council's forecast financial position going forward.

The above will also continue to be an overarching context for subsequent consideration of the Cultural Heart programme development through to Gateway 3, noting that Budget Council on 22 February 2023 will therefore also provide a key milestone and indication of the Cultural Heart programme development in the context of setting the overall Council budget requirement for 2023/24 and forecast spend and funding assumptions for future years.

### **3.7.2 Legal**

Legal Services, and Addleshaw Goddard LLP (an external framework firm), are involved in the procurement process and appointment of the SDP, the wider team and the contractors in accordance with the council's Contract Procedure Rules.

There are a number of occupiers of the Piazza Shopping Centre who have security of tenure. Legal Services, and an external framework firm, are involved in the process to complete any

relevant documentation in order to secure vacant possession of the Piazza Shopping Centre to enable delivery of the proposed programme prior to and after this Gateway 2 stage.

There are also occupiers outside the boundaries of the site who have rights to use the service tunnels under the Piazza Shopping Centre. Legal Services, and an external framework firm, will be involved in the process to complete any relevant documentation so that works can be carried out to the tunnels.

Legal Services, and an external framework firm, will be involved in the procurement process and contractual arrangements with the third party operators for the venue, food hall and multistorey car park in accordance with the council's Contract Procedure Rules.

There are a number of powers that the Council will rely on to carry out this project.

### **3.8 Do you need an Integrated Impact Assessment (IIA)?**

An Integrated Impact Assessment (IIA) has been undertaken to assess the impact of the proposed Cultural Heart programme and what needs to be considered in the design of the scheme. The IIA considers equality impact, covering the nine protective characteristics set out in the Equality Act 2010, plus environmental impact and the effects on low earners and unpaid carers.

The stage 1 has been completed and indicates that a stage 2 assessment is required, and this is being progressed. The stage 1 and draft stage 2 reports are attached at Appendix 6. It is anticipated that the stage 2 will be completed after the phase two of public consultation with the outcomes feeding into the design and operation of the Cultural Heart.

## **4 Consultees and their opinions**

Consultees are referred to earlier at Section's 1.2, 1.3, 2.10, 2.12, 2.13, 3.1, 3.2, 3.3 and 3.8 of this report.

Officers Presented an update on progress to Ad-Hoc scrutiny chaired by Cllr Liz Smaje on 16<sup>th</sup> Aug 2022. The Panel welcomed the Cultural Heart Update and thanked officers and the Portfolio holder for their attendance. A number of key points, opportunities and challenges were highlighted.

- The frequency of collection rotation in the Art gallery and the importance of having a clear work force strategy to reflect this.
- The inclusion of bold and challenging public art and the best use of space to facilitate this.
- The importance of retaining current retailers in the town centre and continuing active conversations with agents and local businesses to highlight future opportunities for their business to ensure a healthy retail mix.
- Clear communications and signposting in relation to the Cultural Heart, and opportunities for consultation and engagement, as well as access to records during the closure of the archive.
- The importance of strong management arrangements and oversight across all the events venues in the town centre to ensure that events programmes complimented each other and did not create competition.
- The importance of optimistic and robust responses to public consultation comments to instil confidence in the council's ability to deliver the Cultural Heart.

## 5 Next steps and timelines

The key milestones and Gateways for the Cultural Heart programme are as set out below. Also see App 1, Section 6, 6.12 & 6.18.

- **Programme Initiation** **22<sup>nd</sup> June 2021**
- **Gateway 1** – SOC, Cabinet approval **16th November 2021**
- **Gateway 2** – OBC **21<sup>st</sup> September 2022**  
RIBA Stage 2 & master plan

**Cabinet approval is being sought in this report to the Gateway 2 proposals and approval to proceed to Gateway 3.**

The programme will then come back to Cabinet at Gateway 3 for approval to proceed to Gateway 4.

- **Gateway 3** – **Q1/Q2 2023**  
RIBA Stage 3,  
Surveys, part strip out & asbestos removal  
Update on construction contract sum negotiations under the Pre-Construction Service Agreement  
Update on progress with venue operator  
Target date for planning permission (target submission Autumn 2022)  
Vacant site including library & market hall and 60% of the Piazza units
- **Gateway 4** – **Q4 23/Q1 2024**  
RIBA Stage 4  
Final Business Case (FBC)  
Part demolition of Piazza and intrusive surveys to all buildings  
Award D&B construction contracts and start on site

## 6 Officer recommendations and reasons

Cabinet is requested: to approve the following

### 6.1 **Outline Business Case**

To agree to proceed in line with the proposals and recommendations set out in the Outline Business Case to the next stage.

Reason: So that the assets and the strategic objectives of the Cultural Heart programme can be delivered.

### 6.2 **Master plan**

To agree to proceed in line with the Preferred Way Forward master plan and the associated RIBA Stage 2 design.

Reason: So that the design and programme implementation can continue to next the next stage.

### 6.3 **Capital Development Budget, Gateway 3**

Subject to approval of 6.1 & 6.2 above to approve the Gateway 2 to Gateway 3 budget of up to £10.5m

Reason: To ensure sufficient funds are available to progress the programme to the next stage.

#### **6.4 Programme Timeline**

To delegate to the Strategic Director Growth & Regeneration, in consultation with the Executive Member for Regeneration, decisions on the programme timeline so that the Cultural Heart master plan and the associated strategic objectives can be completed within an appropriate timescale reflecting the council's financial position.

Reason: To achieve the strategic objectives as soon as is practical taking account of circumstance

#### **6.5 Resources**

To allocate the necessary Council staff and resources to support the programme and to note that in the absence of sufficient internal resources that additional resources will be sourced from existing/future framework agreements.

Reason: To ensure that the programme is adequately resourced

#### **6.6 SDP extension of appointment**

To agree to extend the appointment of the Strategic Development Partner/Project Manager to Gateway 3 under direct award from the SCAPE, Place Shaping Framework in compliance with the Contract Procedure Rules and the Financial Procedure Rules.

Reason: To continue the programme management services that have achieved this Gateway 2, retain knowledge gained and maintain the programme to deliver the strategic objectives as soon as is practical.

#### **6.7 Architect and Engineer extension of appointment**

To agree to extend the appointments of the architect and the engineer to Gateway 3 in compliance with the Contract Procedure Rules and the Financial Procedure Rules.

Reason: To continue the architectural and engineering services that have achieved this Gateway 2, retain knowledge gained and to maintain the programme to deliver the strategic objectives as soon as is practical.

#### **6.8 Construction Contractor Procurement**

To delegate authority to the Strategic Director for Growth and Regeneration to conclude the construction contractor strategy as set out in Section 2.5 of this report, and then to progress that strategy for the Cultural Heart to the next stage.

Reason: To ensure the appropriate construction contracts for the Cultural Heart.

#### **6.9 Third Party Operator Procurement**

To delegate authority to the Strategic Director for Growth and Regeneration to conclude the strategy on all necessary third party operators as set out in Section 2.6 of this report, and then to progress that strategy for the Cultural Heart to the next stage.

Reason: To ensure the best operating model for the Cultural Heart.

#### **6.10 Social Value**

To delegate authority to the Strategic Director for Growth and Regeneration in consultation with the Executive Member for Regeneration and the Executive Member for Corporate to conclude the Social Value strategy and then implement the same for the Cultural Heart. This is to include the mechanism for administration of the trust fund.

Reason: To ensure the best Social Value outcomes for the Cultural Heart.

### **6.11 SDP, Architect & Engineer Appointment Extensions, Construction Contractor Appointments & Third Party Operator Appointments**

Subject to approval of 6.6, 6.7, 6.8 & 6.9 to delegate authority to the Strategic Director for Growth and Regeneration in consultation with the Executive Member for Regeneration and in liaison with the Service Director – Legal Governance and Commissioning and the Service Director – Finance to appoint third parties in compliance with the Contract Procedure Rules and the Financial Procedure Rules.

Reason: To put all necessary contracts in place to deliver the agreed Cultural Heart programme

### **6.12 Deliver the Programme to Gateway 3**

Subject to approval on the matters above to delegate authority to the Strategic Director for Growth and Regeneration in liaison with Head of Procurement and to work within approved budgets to deliver the programme to Gateway 3.

Reason: So that the Cultural Heart programme can achieve the next stage, Gateway 3

## **7 Cabinet Portfolio Holder's recommendations**

Cllr Graham Turner, the Cabinet Portfolio Holder for Regeneration, supports the recommendations and was briefed on the 6<sup>th</sup> September 2022 and made the following comments,

- I fully support the proposals in this report to approve the required funding to move to Gateway 3
- By moving to Gateway 3 we will be another significant step closer to delivering the Cultural Heart programme.
- The submission of a planning application is an important milestone, as it will signal our continued commitment to delivering the programme.
- This next stage in our ambitious plans will encourage more private investment in Huddersfield, generating more jobs and improving the town centre offer.

The Cabinet Portfolio Holder recommends that Cabinet accepts / endorses the officer recommendation.

Cllr Paul Davies, the Cabinet Portfolio Holder for Corporate, was also briefed on the 6<sup>th</sup> September 2022

## **8 Contact officer**

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## **9 Background Papers and History of Decisions**

- **March 2019** – Cabinet Report - Assembling land and property – Huddersfield Town Centre (Piazza)  
<https://democracy.kirklees.gov.uk/documents/s29122/Item%2014%20Land%20Assembly.pdf>
- **June 2019** – Huddersfield Blueprint Launch Event

- **August - Oct 2019** - Huddersfield Blueprint Place Standard Exercise – Results  
<https://howgoodisourplace.org.uk/huddersfield-town-centre/>
- **February 2020** – Cabinet Report - Huddersfield Blueprint - Next Steps.  
<https://democracy.kirklees.gov.uk/documents/s34958/Item%2015%20CAB%20-%2020%20-%20071%20-%202020-02-25%20Cabinet%20Huddersfield%20Blueprint%20-%20Next%20Steps%20Final.pdf>
- **September 2020** Cabinet Report Dewsbury and Huddersfield Town Centre Finance.  
<https://democracy.kirklees.gov.uk/documents/s37506/Town%20Centre%20Finance%20Cabinet%20Report%20-%20Final%20Version.doc.pdf>
- **June 2021** – Cabinet report – Cultural Heart, part of the Huddersfield Blueprint – Next Steps.  
<https://democracy.kirklees.gov.uk/documents/s41881/Delivering%20the%20Cultural%20Heart%20Cabinet%2022.6.21%20002.pdf>
- **November 2021** - Cabinet Report, Cultural Heart, part of the Huddersfield Blueprint, Gateway 1.  
<https://democracy.kirklees.gov.uk/documents/s43757/PUBLIC%20CUTLURAL%20HEART%20Cabinet%20Report.%20Final%2016.11.21.pdf>

#### 10 **Strategic Director responsible**

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