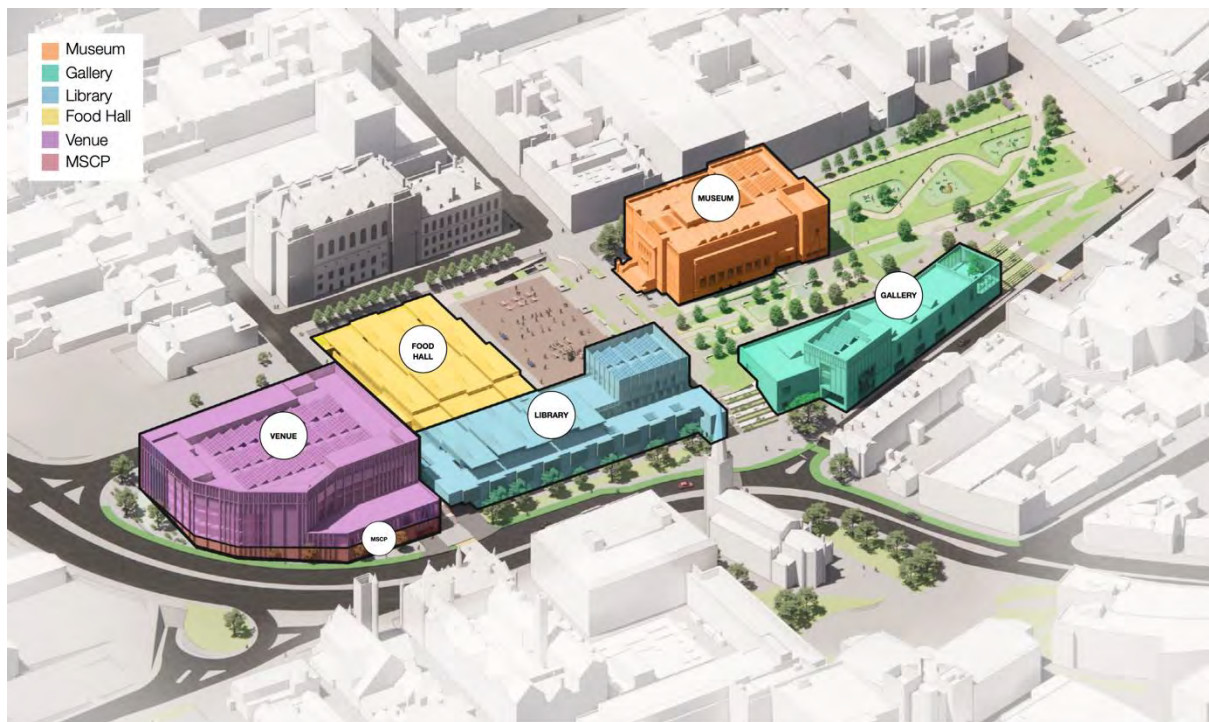


# Kirklees Cultural Heart

## Outline Business Case



A report by



Queensberry



June 2022

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## Basis of information

It is not possible to guarantee the fulfilment of any estimates or forecasts contained within this report, although they have been conscientiously prepared on the basis of our research and information made available to us at the time of the study.

Neither IPW..., nor the authors, will be held liable to any party for any direct or indirect losses, financial or otherwise, associated with any contents of this report. We have relied in a number of areas on information provided by the client (and other organisations) and have not undertaken additional independent verification of this data in all cases.

## Confidentiality

This report contains confidential information and is not to be made public without the prior consent of IPW..., which may be given subject to the removal of any sensitive or confidential information.

## Context

It should be noted that some of this Report was prepared during the COVID-19 outbreak and at the time of writing (June 2022) the economic consequences of the pandemic, both short and long-term, are still subject to speculation. Similarly, other external global forces, notably the war in Ukraine and the continuing unfolding of Brexit consequences, will have an impact on financial and economic impact projections. Therefore, information provided, and assumptions made, could vary as the impact on the cultural, entertainment and business events industry is further understood, and readers are advised to check the validity of any/all information provided, at the point of which any decisions are made/actions taken.

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**The OBC appendix O is in Appendix 3 (see the link in the Cabinet report).**

Appendix O: issued separately, RIBA Stage 2 Design Executive Summaries Report

## Appendices withheld.

- Appendix C: Operational Business Plans
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  - Appendix F: Car Parking Strategy and Costs
  - Appendix G: Risk Register
  - Appendix H: Lease Strategy
  - Appendix K: RIBA Stage 2 Budget Estimate
  - Appendix M: Outline Delivery Strategy
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## E.S. Executive Summary

### Introduction

- E.S.1 IPW... was appointed by Turner & Townsend on behalf of Kirklees Council (the Council) to prepare the Business Case for the Kirklees Cultural Heart project.
- E.S.2 The Outline Business Case (OBC) is the second of three stages of business case development that includes a Strategic Outline Case (SOC - stage 1 completed) and stage 3, a Final Business Case (FBC) that captures and updates to the OBC and construction contract awards. The purpose of the OBC is to re-confirm the strategic case for the project and to outline and test the detail of the Preferred Way Forward. This OBC has been prepared using the UK Government's Treasury Five Case Model methodology.

### The Strategic Case

- E.S.3 The Cultural Heart programme is an ambitious regeneration project that will redevelop the entire 7.8 acre central site and be a catalyst that stimulates social and leisure activity such as hotel, restaurants and bars, on adjacent and nearby sites. Much of the existing built infrastructure will be demolished, including the Piazza, providing the opportunity to create new core facilities. Cultural Heart will deliver:
- a vibrant hub of cultural, art, leisure, library event and entertainment provision
  - a reinvigorated evening offer
  - a place for businesses to develop and thrive
  - a great place to live
  - improved local access and enhanced green and public spaces.

### Strategic context

- E.S.4 Cultural Heart will deliver many of the Council's strategic social, economic and cultural objectives. It's one of Kirklees' 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.
- E.S.5 Over the past 20 years, the rise of online shopping and out-of town retail has seen the traditional role of town centres change nationally, and this change has been accelerated during the recent pandemic. The traditional shopping streets of Huddersfield's town centre have struggled in recent years against this macro-economic backdrop resulting in higher vacancies and a proliferation of "discount" retailers. The reinvention of the traditional town-centre is gathering a more rapid pace as consumers increasingly look for a diversity of experience that mixes retail with leisure activities, including cultural visits and events, as well as destinations for socialising and dining. Also, a gradual repopulation of town centres is taking place with increasing numbers of residential property becoming available, leading in turn to an expectation of leisure amenity such as green space and family-friendly venues.

E.S.6 Cultural Heart will create the core facilities that future-proof consumer expectations 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 Case for Change***

#### ***The current situation***

E.S.7 The Cultural Heart occupies a 7.8 acre site that consists of the Queensgate Market (Grade II listed), the current Library and Art Gallery (Grade II listed), the Piazza shopping centre and the site of the former multi-storey car park (MSCP). In addition, there is an extensive network of large tunnels servicing the Piazza shopping centre and the Market.

E.S.8 The Council owns all of the key facilities and currently operates all of the facilities directly, with the exception of the Piazza Shopping Centre (which is managed by agents). The facilities are not maximising their potential reach, due to the short opening hours for some. The net revenue cost in relation to all of the facilities combined is c£1.1m per annum.

#### ***Project objectives***

E.S.9 The Cultural Heart project objectives are to:

- Re-develop the Queensgate area to compliment a modern-day town centre that will be busy, inclusive, family-friendly and stay open longer creating a tangible sense of community
- Create a vibrant and dynamic destination where visitors and residents of all communities and ages can gather and enjoy leisure, arts and music throughout the day, evening and into the night
- Be full of diverse and rich experiences that, not only bring people together, but are familiar, celebratory, and innovative and places Huddersfield's cultural heritage at the centre of the programme
- Be accessible, providing open opportunities to participate, learn new skills, explore and discover
- Increase town centre footfall, supporting local businesses and Venues, employees and creating new commercial opportunities making the proposition attractive to stakeholders
- Adapt and respond positively from the lessons learned and the impact of the pandemic, particularly the changing needs and aspirations of the town centre's catchment population
- Have a masterplan that provides flexible spaces, high quality design and a variety of architecture bringing out the unique characteristics of the setting of the Cultural Heart and the listed buildings within it

- Enhance the use of the retained buildings and structures as destinations, increasing public access, while enabling them to perform an increased number of municipal and commercial functions more effectively
- Encompasses the Councils 2038 Carbon Neutral Vision and policies encouraging sustainability and minimising the carbon footprint of the development
- Provide for the creation of high-quality digital and physical infrastructure
- Have a design where activities in the buildings spill out into a high-quality Urban Park that is welcoming, safe and with facilities for outside events of scale
- Maintain and enhance connectivity to the rest of the town centre and its neighbourhoods, including essential links to the University
- Create social value benefits
- Produce a master plan and completed assets that are financially viable and can be managed within affordable operational budgets
- Be deliverable within agreed timescales and budget.

***Business needs and market assessment***

E.S.10 Business needs and market assessments were undertaken for each of the major use types that may be included in the project. The key findings and the resultant facilities requirements are set out in Table E.S.1.

***Table E.S.1 Summary of market needs and facilities required***

Facility	Key findings of market assessment	Facilities required
Venue	<ul style="list-style-type: none"> <li>• Huddersfield has a large catchment within a 30-minute (1,037,591) and 45-minute (3,571,224) drivetime. However, there is significant overlap in catchment with Leeds, Bradford and Sheffield, within a 30-minutes drivetime, and a small overlap with the Manchester catchment. This leaves Huddersfield with a small but sufficient unique catchment to attract audiences</li> <li>• The level of engagement and propensity to consume</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-purpose Venue capable of accommodating entertainment, business events and esports events</li> <li>• Scale of Venue to accommodate 800 seated/1,200 seated on a regular basis but with the potential to be future proofed to provide for 2200 seated and standing capacity and 1,200 all seated capacity reflecting market feedback and the ambition programme for the Cultural Heart and its</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<p>arts and cultural activities is in line with the national average</p> <ul style="list-style-type: none"> <li>• Number of small-scale entertainment facilities in the locale. Huddersfield Town Hall, The Parish, Smile Bar and Venue, and the Lawrence Batley Theatre, due to their adjacency to the Cultural Heart, are Venues that are seen as key supporting elements to any new Venue and not regarded as competition</li> <li>• The core cities of Leeds, Sheffield and Manchester both have a large indoor arena capable of attracting national and international touring product, and a portfolio of other entertainment facilities up to 3,500 capacity, covering all key genres of entertainment</li> <li>• New Venue opening in Bradford (4,000 capacity) will also provide strong competition for any Venue in Huddersfield</li> <li>• Based on the location, accessibility, presence of the University and ambition for the Cultural Heart scheme, a new Venue would be able to attract a range of events (entertainment &amp; business) with the right mix of facilities</li> </ul>	<p>anticipated future success</p> <ul style="list-style-type: none"> <li>• Potential for a secondary space of 400-600 capacity</li> <li>• To be able to act as major Venue/home for the national and international festivals held regularly in Kirklees</li> <li>• To be a flexible space to share with some of the other cultural uses including the Gallery, Museum and Library exhibition requirements</li> <li>• To accommodate a future potential demand for esports events</li> <li>• Potential for some shared use with Library, Museum and Gallery</li> </ul>



Facility	Key findings of market assessment	Facilities required
Library	<ul style="list-style-type: none"> <li>• High number of annual visits – c.360,000 p.a. – suggesting hyper-local audience</li> <li>• Large number of IT uses (almost 60,000) – suggesting frequent visits and solid user base (c.14,000 members)</li> <li>• High student use of research rooms and study area</li> <li>• Potential for new facility to increase usage by 20-25% i.e. additional 72,000-90,000 p.a. with the right facility mix and spaces</li> <li>• Demographic in often hard-to-reach groups; very different user profile to Museum and Gallery</li> <li>• Creates ‘safe’ environment – high access value for visitors – much improved ‘front-door’ facility</li> </ul>	<ul style="list-style-type: none"> <li>• New centrally located Library</li> <li>• Multi-purpose flexible space for education, storytelling/performance, and book lending.</li> <li>• Children’s Library/reading area</li> <li>• Research space, including digital/computer terminal access</li> <li>• Exhibition area</li> <li>• Cafe (preferred; could be shared)</li> <li>• Minimum: Storage - primarily books, also display cases, staging etc.</li> <li>• Optimum: storage for home delivery operation - this also requires vehicle access to a distribution point</li> <li>• Optimum: offices for local team</li> <li>• Potential for facility combining/sharing</li> <li>• Shared storage solution preferred on-site</li> <li>• Front of house facilities/reception for the archive service with main archive being housed off site</li> </ul>
Museum	<ul style="list-style-type: none"> <li>• Currently, the majority of Museum visits come from within a 20 minute drive-time, therefore, a very local audience</li> <li>• 26,000 visits p.a. to Tolson accounts for just 18% of all Museum visits in Kirklees</li> <li>• A centrally-located Museum within a location offering a range of cultural offers should have greater</li> </ul>	<ul style="list-style-type: none"> <li>• New centrally located facility</li> <li>• Shared storage solution preferred on-site</li> <li>• Minimum: Three exhibition areas that allow permanent, semi-permanent and touring/temporary exhibitions- areas should allow for display of large-scale items, such as weaving looms and vehicles</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<p>attractiveness – increasing to 30 minute drivetime alone could generate c.57,000 visits p.a.</p> <ul style="list-style-type: none"> <li>• Large socio-economic gap in visitors (24% between upper and lower) and ethnic diversity (5% between white and BAME)</li> <li>• Collection's strength primarily in paintings; artefacts of significance are often large/industrial</li> <li>• Solution for Tolson could create complementary heritage offer</li> </ul>	<ul style="list-style-type: none"> <li>• Optimum: an additional 2-3 smaller flexible exhibition areas, potentially to be co-programmed with Library and/or Gallery or the Venue's Hall 2.</li> <li>• Minimum: on-site storage for smaller number of artefacts, including area for set-up and take-down of exhibitions; also exhibition cases</li> <li>• Teaching and education spaces (can be shared)</li> <li>• Technical workshop: for repair, framing, etc</li> <li>• Cafe (preferred)</li> <li>• Optimum: Offices</li> <li>• Informal pop-up performance</li> </ul>
Gallery	<ul style="list-style-type: none"> <li>• Currently, the majority of Gallery visits come from within a 20 minute drive-time, therefore, a very local audience</li> <li>• Current Gallery attracts 15,000 visits p.a. – a modest amount for a central location, reflecting a) subsuming of profile within Library building, and b) limited space for large touring exhibitions</li> <li>• A new facility would have greater attractiveness – increasing to 30 minute drivetime alone could generate c.32,000 visits p.a.</li> <li>• Painting's collection currently under-exploited (value of collection is £50m) -</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible exhibition spaces to accommodate a) Items from permanent collection, b) loaned items, c) touring exhibition/s, d) community/University exhibitions - these spaces can be configured in different size combinations depending on nature of exhibitions at any one time</li> <li>• Optimum: sufficiently large exhibition space to accommodate large scale works on loan</li> <li>• Storage: secure and environmentally controlled area that can accommodate entire civic collection; display cases; holding area for exhibition take-down and set-up</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<p>needs permanent display area and secure/GIS storage nearby.</p> <ul style="list-style-type: none"> <li>Galleries can be stand-alone exhibition facility servicing the needs of Museum, Library and conference markets, or integrated within each</li> <li>Visitor demographic/challenges similar to Museums</li> </ul>	<ul style="list-style-type: none"> <li>Technical workshop: repair, framing, etc.</li> <li>Pop-up performance area</li> <li>Cafe (preferred)</li> <li>Optimum: offices</li> <li>Optimum: screen room</li> <li>Teaching/education spaces (can be shared)</li> <li>Shared storage solution preferred on-site</li> </ul>
Food Hall	<ul style="list-style-type: none"> <li>A well-built Food Hall can be a major feature of a real estate project. With an exciting selection of food from around the world via local providers, a good Food Hall has a feeling of authenticity that pulls in daytime and evening diners.</li> <li>The Food Hall can provide an interface with the other cultural uses which in turn increase the footfall to the Food Hall itself.</li> <li>Food Halls showcase local identity, and also serve nearby office, educational and residential communities and promote local industries and small businesses.</li> <li>Food Halls have an offer that suits the convenience lifestyle and has the degree of flexibility needed for today's consumer.</li> <li>Customers like that they don't need to pre-book or pay a deposit; the</li> </ul>	<ul style="list-style-type: none"> <li>footprint size of 1,500 sqm (net) with assumed gross area of 2,000sqm</li> <li>A plant zone to serve the area with air changes and incoming services</li> <li>A connection to external areas to provide outside seating and dining space</li> <li>Potential to provide F&amp;B provision to support the other cultural uses</li> <li>Can provide the 'glue' to link other uses in the Cultural Heart</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<p>ability for different members of their party to choose their own dishes, not bound by what the others want; and they like the “artisan” food, cooked in front of them from real ingredients.</p>	
<p>Car Park</p>	<ul style="list-style-type: none"> <li>• The Census data indicates that over a third of households in Huddersfield do not have access to a car. This is greater than the proportion for Kirklees (26%) as a whole.</li> <li>• In Huddersfield town centre, the total number of car parking spaces for public use (excluding dedicated disabled user parking) is just under 5,500. The Council owns and operates 51% of these spaces, and the private sector 49%. Off-street car parks provide 85% of the spaces, and on-street 15% in Huddersfield.</li> <li>• In Huddersfield, the average weekday peak occupancy was between 12:00 and 13:00 at 70%. The average length of stay across Huddersfield was just under three hours.</li> <li>• The university currently operates 686 car parking spaces for staff and visitor use, across 16 sites around campus. The majority of spaces are for staff use and</li> </ul>	<ul style="list-style-type: none"> <li>• 350 space MSCP</li> <li>• Electric Vehicle charging points to be provided</li> <li>• MSCP at the south of the site</li> <li>• Potential for car park to be below other uses such as the Venue with the appropriate security measures being put in place including increased slab dimensions, column strengthening, blast walls and restricted parking on events under the Venue</li> <li>• Sustainable design with alternative legacy use</li> <li>• Potential to utilise other parking locations near town centre (University, Sainsburys, Kingsgate Stadium) for larger events</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<p>only those with permits (priced at £740 per annum) are allowed to park on campus, with entry restricted by barriers. There is a waiting list of approximately 200 for staff permits.</p>	
<p>Urban Park</p>	<ul style="list-style-type: none"> <li>• Providing an Urban Park gives an opportunity to not only enhance the public realm and provide a quality space but to also create connections and linkages to other parts of the town.</li> <li>• Currently, the ring road causes a disconnect between the town centre and the University of Huddersfield, exacerbated by the service tunnels and blanket wall structure of the Piazza to Queens Street. With the development of an Urban Park and improved crossing points (from Kirklees Council Highways) there is an opportunity to draw the university into the town centre as well as being an improved space for the public and visitors to engage with.</li> <li>• Opportunity to incorporate an outdoor event space as part of the Urban Park</li> <li>• The overall ambition for the Urban Park is to create enhanced public</li> </ul>	<ul style="list-style-type: none"> <li>• Outdoor space to support the core facilities, enhanced public realm (subject to wider site layout/ opportunities</li> <li>• Event space to support the regular national and international festivals held in Kirklees</li> <li>• Capacity to reflect the design parameters but to be in excess of 2,500-3,000</li> <li>• Potential for permanent outdoor performance area and structures to be built into the design of the space to reduce the set and take down of required rigging structures for events</li> </ul>

Facility	Key findings of market assessment	Facilities required
	realm and green spaces within a flexible, multi-functional space that complements the existing and new cultural uses and brings people into the new cultural heart.	

***The scope of the project***

E.S.11 The scope of the overall scheme derived from the market assessment is to redevelop and regenerate the 7.8 acre (approx.) site in Huddersfield Town Centre providing a range of new facilities to deliver an improved cultural offer and service for Kirklees. The core new facilities identified are:

- Multi-purpose event/entertainment/conferencing Venue
- Museum
- Art Gallery
- Library and front-of-house Archive Service
- Food Hall
- Urban Park and outdoor events space
- 350 capacity multi-storey car park
- Link to the University
- Piazza will be demolished
- Potential additional secondary spaces including hotel, restaurants and bars, in adjacent streets.

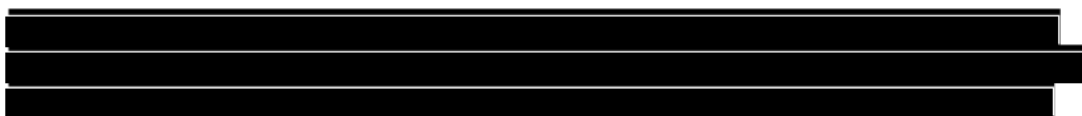
***Project benefits, risks, constraints and dependencies***

E.S.12 The Case for Change identified the key benefits of the project as follows.

***Table E.S.2 Project Benefits***

Description
1. Increased number of visitors to Huddersfield
2. Increased visitor stay and spend in Huddersfield
3. Increased level of usage of cultural facilities by residents
4. Higher national and regional profile for the town
5. Additional economic Gross Value Added (GVA) to Kirklees
6. Generate new FT and PT jobs
7. Catalyst for further private sector investment in town centre (in retail, leisure and accommodation sectors)
8. To support the delivery of the Huddersfield Blueprint
9. Greatly enhanced community facilities
10. Protecting key cultural assets and cultural benefit
11. Enhanced green amenity in the town centre





E.S.14 A full risk register for the project has been developed, and a risk management process put in place.

#### The Economic Case

E.S.15 During the SOC a total of 15 long-list options were developed and assessed. This included 13 project options, each comprising the core facilities required at varying scales (e.g. small, medium and larger scale Venue) and in different combinations (in terms of uses grouped in areas of the site) on different parts of the site. 'Business As Usual' and 'Do Minimum' Options were also scoped out. The long-list of options was assessed against 18 key criteria, using a RAG (Red, Amber, Green) methodology, during facilitated workshops with the SDP and the Council. The site constraints played a significant role in reducing the number of deliverable options. The assessment resulted in the identification of a Preferred Way Forward and two other project option alternatives. The Preferred Way Forward was then refined and finessed with input from the Design Team the Council's Service teams and the Programme Board. The Board decided against a combined Museum and Gallery offer so as to strengthen the masterplan for the overall site.

E.S.16 This resulted in the Preferred Way Forward comprising:

- The South site accommodating a new flexible multi-use Venue with two halls that can combine to create a Venue with a maximum capacity of 2,200 for entertainment. The two Halls would have an independent capacity of 1,200 and 440 (standing, 300 seated) with events that can run concurrently
- The MSCP of c 350 spaces would also be built on the south site
- The Food Hall would occupy the existing Market Hall
- The Library would be built adjoining the old Market Hall with spatial connection to the Food Hall. There would be a major new build element to the Library
- The new Museum would be accommodated into the old Library building. The Museum would be a stand-alone building sitting centrally in the public realm
- A new stand-alone Gallery creating a strong edge to the masterplan and public realm
- The buildings (other than Venue and MSCP) are connected by the Urban Park which they all sit within.

E.S.17 The Venue will be new build, It will be multi use for entertainments, conferencing, exhibitions and events. It will dovetail its activities with the other Gallery and exhibition spaces proposed for the Library, Museum and the Gallery.

E.S.18 The Library is the largest footfall driver and as such the greatest number of local residents will have the best environment to use the Library services.

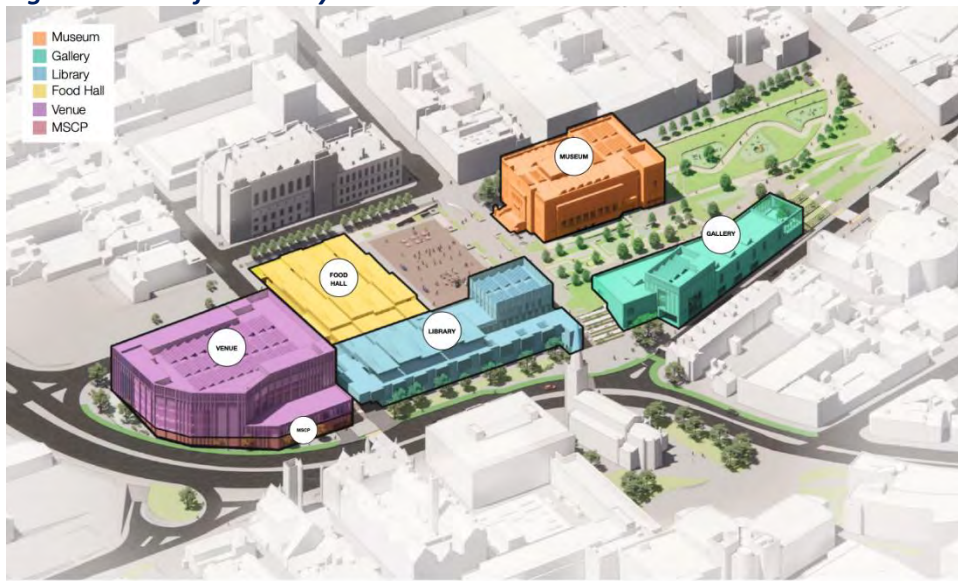
E.S.19 The Gallery has the potential to exhibit national quality exhibits in a high-quality built environment as well as take national touring exhibits. This will attract visitors from beyond the town, from the region and nationally.

E.S.20 A majority of the Museum artefacts at Tolson will move into the town centre into the refurbished Library building. These will be enhanced with curated collections from the

Council's large, stored artefacts as well as national touring products and events. It is intended to extend the collection to fully tell the story of Huddersfield – past, present and future.

- E.S.21 The Food Hall will be a high quality refurbishment offering a wide range of offers from local to international cuisine in a vibrant and lively setting. It will provide the 'glue' to bring together all of the other features and support the F&B requirements in each of the individual spaces. It will open out into the Urban Park to enhancing the Food Hall offer and providing activation to this edge of the Urban Park.
- E.S.22 The Urban Park will encourage the permeability of the scheme providing an easy link with the University and opening out to the Laurance Batley Theatre and the Town Hall so both Venues can be properly integrated into the Cultural Heart scheme. It will provide space for outdoor events at all scales, from small community gatherings and classes to larger professional events.
- E.S.23 The Preferred Way Forward maximises the cultural ambition of the Blueprint, enhances the heritage buildings, develops a strong town centre profile, creates a new Urban Park, creates a platform for improved services, while being deliverable and achievable within the project timetable. It has the strongest sustainability and financial credentials, maximising social and economic impact. The diagrams below illustrate the PWF.

**Figure E.S.1 Preferred Way Forward**





**UPPER GROUND FLOOR**

The diagram to the right shows the illustrative masterplan at upper ground floor level. The key elements within it are:

1. Existing Queensgate Market refurbished to contain a new food hall
2. New Library within existing east wing of the Queensgate Market. New Extension to the north forming the public square
3. Existing library refurbished and extended to the north to contain Museum brief
4. New build on Queen Street to contain Gallery brief. Provides positive edge and allows for level public realm above tunnels
5. New Venue located to south of Queensgate Market
6. New MSCP located underneath Venue
7. New civic public square framed by frontages of cultural uses
8. More intimate garden between Museum and Gallery buildings
9. New green park to the north of the Site
10. Lift connection from upper ground floor to Queensgate level
11. Terraces linking upper ground floor to lower ground floor along Queen street



E.S.24 The other two options being considered in the OBC are:

- Do Nothing/Business as Usual (BAU)
- Do Minimum (minimum required to deliver on project objectives) – this is a combination of refurbishment and refocussing of purpose of existing facilities/buildings, with a minimum of demolition and new-build. The latter would create a 1,200 seat Venue on the site [REDACTED] but create a limited amount of new Urban Park space.

E.S.25 The key economic outputs have been assessed for all of the options and are show below in Table E.S.3. The attendance estimates for the options show c.1m visitors for the Preferred Way Forward whilst creating 176 FTEs in direct employment. The breakdown of the attendances by day visitor and overnight stays is shown in Table E.S.4.

*Table E.S.3 Option scale*

Scheme outputs	Option 1 Do Nothing	Option 2 Do Minimum	Option 3 PWF
<b>Outputs</b>			
Throughput of facility users	330,203	706,000	1,021,560
Direct employment (FTEs)	23	138	176

**Table E.S.4: User profile (000s, annually)**

<b>Profile of visits by option</b>			
<b>Options profile market segments</b>	<b>Option 1 Do Nothing</b>	<b>Option 2 Do Minimum</b>	<b>Option 3 PWF</b>
<i>Day visits</i>			
Venue	0	73,125	86,234
Food Hall	15,000	50,000	90,000
M&G F&B	0	6,000	20,580
Museum and Gallery	13,683	179,000	224,466
Library	300,000	360,000	455,000
Outdoor Event Space	0	0	57,853
<b>Total day visits</b>	<b>328,683</b>	<b>668,125</b>	<b>934,133</b>
<i>Overnight stays</i>			
Venue	0	16,875	34,796
Food Hall	0	0	0
M&G F&B	0	0	0
Museum and Gallery	1,520	21,000	26,334
Library	0	0	0
Outdoor Event Space	0	0	26,297
<b>Total overnight</b>	<b>1,520</b>	<b>37,875</b>	<b>87,427</b>
<b>Total visitor days</b>	<b>330,203</b>	<b>706,000</b>	<b>1,021,560</b>

E.S.26 Having assessed the visitor profile and likely draw of visitors, the data has been adjusted to reflect deadweight, leakage, displacement with an appropriate jobs multiplier. This results in the following net additional impact, see Table E.S.5.

**Table E.S.5 Net additional impact (annual, undiscounted)**

<b>Options/Impacts</b>	<b>Option 1 DN (£m)</b>	<b>Option 2 Do Minimum (£m)</b>	<b>Option 3 PWF (£m)</b>
Net additional expenditure (£m)	£2.90	£9.50	£18.10
Net additional direct jobs (FTE)	36	144	238
Net Direct, Indirect & Induced Jobs	50	179	298
Net direct GVA Annual (£m)	£1.20	£4.90	£8.10
Net Direct, Indirect & Induced GVA Annual (£m)	£1.70	£6.10	£10.20
Net D,I&I GVA Cumulative 10 years (£m)	£17.10	£61.30	£101.8

E.S.27 The Cost Benefit Analysis (CBA) was then assessed for the options over a 30 year period at 3.5% discount rates and having regard to Government and regional parameters as detailed in the report. This results in a range of BCRs for the Do Nothing option at 1.4, the Do Minimum at 1.2 and the Preferred Way Forward at 1.5.

E.S.28 A summary of the economic outcomes in provided below in Table E.S.6.

*Table E.S.6 Appraisal summary table*

AST - Costs and benefits over 30 years	Option 1 DN	Option 2 Do Minimum	Option 3 PWF
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%

E.S.29 Critical features to note are the sensitive nature of costs in the economic model and the need to ensure out of area visitors are attracted to the scheme to drive its overall economic impact.

#### The Commercial Case

E.S.30 The Commercial Case sets out the working assumptions relating to the procurement and contracting of the key services required to deliver the Preferred Way Forward. These include:

- The Council appointed a Strategic Development Partner (Turner & Townsend) to manage the programme on its behalf
- The professional team procurement via the SBS Framework using a NEC4 Professional Services Contract, appointed FCB Studios (to develop the masterplan and overall design) 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, Kirklees Council and Addleshaw Goddard. The Council will be seeking contractors with the relevant skills and experience to deliver a programme of this complexity and scale. The proposed construction approach is for delivery in two zones with the Venue and the MSCP in one zone and the rest of the site in another zone. There will be a single contractor per zone on-site at any time, but potentially splitting the enabling and main works contracts. A 2-stage restricted competitive tender process is proposed for both zones.

E.S.31 There is proposed a mix of operational/management approaches across the site, including direct Council operation for the Library, Gallery and Museum and third party operators for the Venue, Food Hall and possibly the MSCP and public realm/Urban Park. The initial stages of the Venue procurement have commenced with positive discussions with the marketplace.

### The Financial Case

- E.S.32 The estimated capital development budget of the Preferred Way Forward is **£210m** including fees and contingency. In addition, there is a **£10m** budget for furniture fixtures and fittings (FF&E) across the scheme. At a challenging time for procuring construction a careful risk assessed process has been developed with contingencies throughout the project delivery.
- E.S.33 The capital development budget for the Do Nothing option is c£22m. These are the costs to keep the buildings in their current state, plus demolition of the vacant Piazza buildings.
- E.S.34 The Do Minimum capital development budget is estimated at c£162m, relying on substantial refurbishment of existing buildings and a smaller Venue.
- E.S.35 Business plans have been prepared for the Preferred Way Forward. See Table E.S.7 below.

*Table E.S.7 Net operating costs of the facilities*

	4 Year period	Year 1	Year 2	Year 3
	2022/2026	2026/2027	2027/2028	2028/2029
Council Income / Costs	Pre Opening	Operating	Operating	Operating
	£	£	£	£
<b>Commercial Operations</b>				
New Venue - Rent Receivable	0	█	█	█
Food Hall -Rent Receivable	0	█	█	█
M & G Food and Beverage plus Retail	0	█	█	█
Car Parking Income	0	█	█	█
	0	█	█	█
<b>Council Operations</b>				
New Museum and Gallery	(3,915,000)	(2,795,000)	(2,851,000)	(2,908,000)
New Library	0	(1,221,000)	(1,246,000)	(1,271,000)
Outdoor Event Space	(26,000)	(83,000)	(62,000)	1,000
Urban Park Management Costs	0	(1,101,000)	(1,123,000)	(1,146,000)
	(3,941,000)	(5,200,000)	(5,282,000)	(5,324,000)
<b>Total Council Costs</b>	(3,941,000)	█	█	█

- E.S.36 The existing Council costs are estimated to be █ in a mature year (year three). Thus the additional costs for the Council are estimated at c£3m p.a., excluding any borrowing/funding costs, development costs, FF&E and pre-opening costs of c£4m.
- E.S.37 The business plan for the Do Minimum highlights that following early year build up to maturity in year three, with existing Council costs again estimated at █, the additional cost to the Council would be c£2.73m p.a. The difference with the PWF being created by the additional commercial income from the retained retail units in the Do Minimum option.

- E.S.38 A series of sensitivities of +/-5%, +/-10%, +/-25% have been undertaken on the revenue position the Council could find itself in. A 5% shift on revenues and cost would result in a c£300k swing in the Council's fortunes. A 10% shift in revenues and costs would result in a swing of c£600k p.a. A 25% shift would result in a £1.5m swing in the Council's financial position.
- E.S.39 The development cost sensitivity shows a 5% shift with a £10m variance, a 10% shift with a £21m variance and a 20% shift resulting in a cost difference of c£42m. It should be noted that the current projected costs of £210m do include a £32m allowance for contingency and inflation.
- E.S.40 The Council has considered the impact on its financial position and this is captured in its medium-term financial plan. At current borrowing rates over 40-50 years the cost of PWLB borrowing would be a c£9.5m p.a., resulting in an overall additional cost to the Council for the Cultural Heart Project of c£12.5m p.a.
- E.S.41 The total annual cost of KCH is summarised in the table below and indicates an annual cost of c.£12.5m, comprising £9.5m in financing costs and net additional operational costs of around £3m.

*Table E.S.8 Annual Expenditure*

TABLE REMOVED

#### Management Case

- E.S.42 Turner & Townsend have been appointed as the Strategic Development Partner (SDP) for the project. A PEP has been prepared, with key governance through The Cabinet, Programme Board and Key Steering Groups for the Masterplan, Technical & Quality and Finance.
- E.S.43 The key gateways for the project are outlined below in Table E.S.9.

*Table E.S.9 Key Milestones*

Activities	Programme schedule
Cabinet approval	22/06/2021
Programme initiation	05/07/2021
Tender packages 2 (Architectural Services) & 3 (Multi-Disciplinary Engineering Services)	22/10/2021
Gateway 1 – Strategic Outline Case (SOC)	16/11/2021

Activities	Programme schedule
RIBA Stage 3 commence	30/05/2022
RIBA Stage 2 complete	02/08/2022
SQ Issue – Zones 1 and 2	15/08/2022
SQ Issue – Venue Operator	15/08/2022
Phase 2 Consultation commences	15/08/2022
SQ Return – Venue Operator	14/09/2022
Phase 2 Consultation completes	14/09/2022
Gateway 2 – Outline Business Case (OBC)	20/09/2022
SQ Return – Zones 1 & 2	30/09/2022
Planning application submission	30/09/2022
RIBA Stage 3 complete (PB date TBC)	18/01/2023
Planning Approval (excluding 12 week Judicial Review)	30/01/2023
Soft Strip (pre-planning approval)	31/01/2023
Gateway 3 (Cabinet TBC)	14/03/2023 TARGET
PCSA Zone 1 & 2 (commence)	27/03/2023
Judicial Review complete	24/04/2023
Soft Strip (Zone 2 post planning approval)	25/04/2023
Gateway 4 – Main Contract Award Zones 1 and 2 (Cabinet TBC)	03/11/2023 TARGET
Mobilisation – Zone 1 & 2	06/11/2023
Construction Commencement – Zone 1 & 2	Q1 2024 TARGET
Handover – Zone 1	Q4 2025 TARGET
Handover – Zone 2	Q4 2025 TARGET
New Facility Fit Out and Service Set Up	Q4 2025 TARGET
Opening	Q1 2026 TARGET

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E.S.44 The change management and risk management systems are clearly defined and the SDP will continually monitor the programme as the project evolves. Work will continue on the development on the Benefits Realisation strategy and this should be in place for the Final Business Case early in 2023.

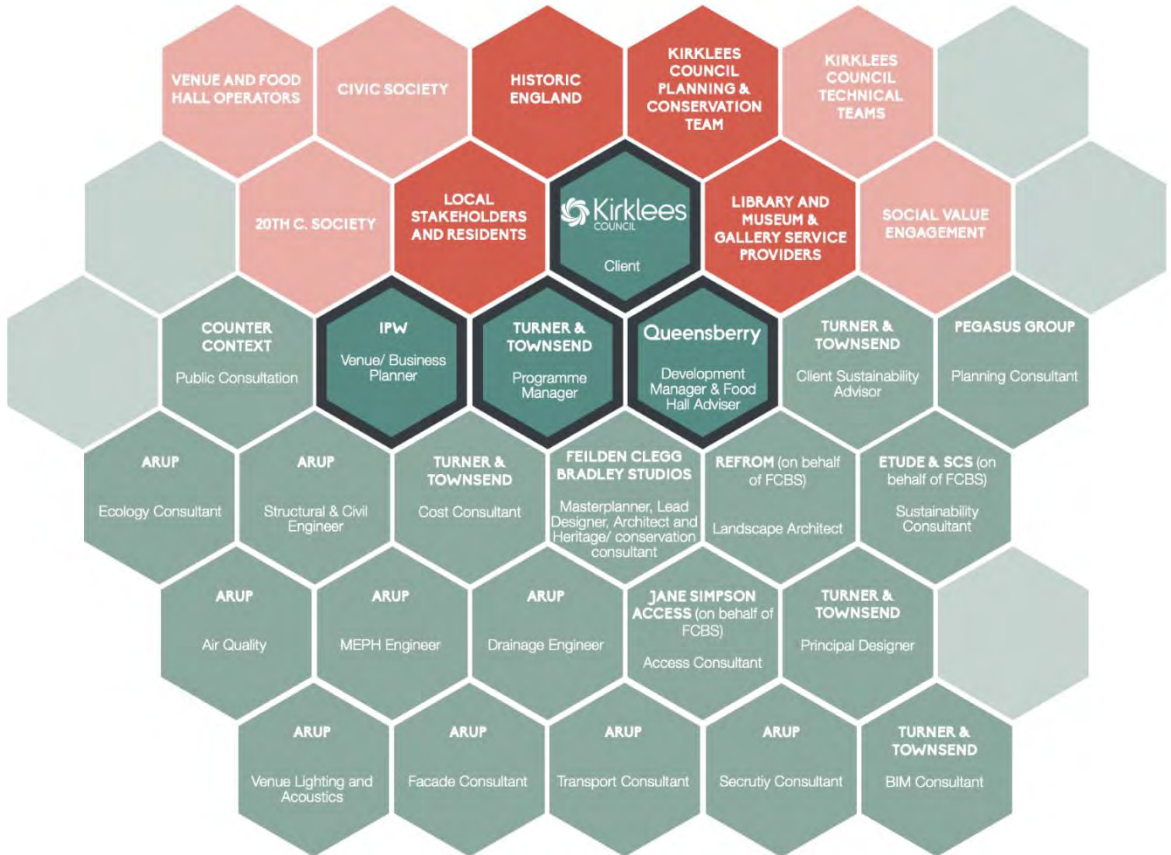
**Next steps and contacts**

E.S.45 For further information on the OBC, contact [REDACTED] IPW...

# 1. Introduction

## Introduction and background

1.1 IPW... was appointed by Turner & Townsend on behalf of Kirklees Council (the Council) to develop the Business Case for the Kirklees Cultural Heart project. They are part of a much larger project and delivery team involved in realising the Council’s ambitious plans for the heart of the city. The diagram below shows the team members (in green) with key Council engagement (in red).



1.2 The Cultural Heart is part of a wider masterplan for Huddersfield Town Centre – the Huddersfield Blueprint – to create a vibrant culture, art, leisure and nightlife offer, thriving businesses, a great place to live, improved access and enhanced public spaces.



1.3 The Cultural Heart is a key Council led regeneration scheme in Huddersfield town centre. The overall 7.8 acre site consists of the Queensgate Market (Grade II listed), the current Library and art Gallery (Grade II listed), the Piazza shopping centre and the site of the former multi-storey car park (MSCP). In addition, there is an extensive network of large tunnels servicing the Piazza shopping centre and the Market. The ambitious regeneration project will redevelop the entire area, and be a catalyst that stimulates social and leisure activity such as hotel, restaurants and bars, on adjacent and nearby sites. Much of the existing built infrastructure will be demolished, including the Piazza, providing the opportunity to create the following new core facilities:

- Event space/entertainment Venue
- Museum
- Art Gallery
- Library
- Food Hall
- Urban Park and outdoor events space
- New multi-storey car park
- Improved access links to the University.



#### Purpose of the Outline Business Case

1.4 The Strategic Outline Case (SOC) (Appendix A) provides a detailed rationale for why this configuration of cultural buildings and services can deliver significant impact that meet Kirklees Council's strategic objectives to both establish Huddersfield as a cultural destination of regional and national importance and maintain its commitment to ensuring access to the contemporary and cultural heritage of the city-region to its citizens.

1.5 As part of this process, the Council recognised the Department of Cultural Media and Sport (DCMS) understanding<sup>1</sup> that investment in cultural and creative services realises benefits beyond the purely economic and immediately commercial outputs, and recognises the immense social and cultural return on investment that will accrue from the Cultural Heart project. Kirklees Cultural Heart is, therefore, a strategic regeneration project which sees its investment repaid across the long-term and in a broad range of social, economic and cultural metrics. This places the project firmly within the overarching context of the Huddersfield Blueprint, the city's 10-year vision document.

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<sup>1</sup> 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

- 1.6 Additionally, the Council understands its role as custodian of significant regional and national cultural assets in terms of its art and museum collections, and welcomes the opportunity to sensitively exploit these assets for both its residents and the nation.
- 1.7 The Business Case development process, as set out in 'Better Business Cases', includes the following three key stages:
- Stage 1: Scoping the scheme and preparing the Strategic Outline Case (SOC)
  - Stage 2: Planning the scheme and preparing the Outline Business Case (OBC)
  - Stage 3: Procuring the solution and preparing the Final Business Case (FBC).
- 1.8 The purpose of an OBC is to revisit the shortlisted options identified in the SOC (Appendix A), to identify the option which optimises public value ('the preferred option') following more detailed appraisal; and to set out the scheme for successful management, delivery and operation of the project.
- 1.9 This report sets out the OBC for the project and has been prepared using the Five Case Model methodology, as outlined in the UK Government's 'Green Book'.

### Structure of report

- 1.10 This report is structured as follows:
- Section 2: **Strategic Case** – revisits the Strategic Outline Case to re-confirm the strategic objectives and context of the project and that the short list options remain valid. 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 project
  - Section 3: **Economic Case** – describes the development of the short-listed project options including design, capital development budget, projected operational performance and considers the economic case for each
  - Section 4: **Commercial Case** – sets out the commercial case for the project, including an overview of how the Preferred Option will be managed and procured effectively
  - Section 5: **Financial Case** – presents the financial case for the development of the Cultural Heart and gives a financial analysis for the short-listed options. This section provides a detailed analysis of the Preferred Way Forward, including a summary of the capital development budget, operating position, affordability, and funding
  - Section 6: **Management Case** – sets out the management case for the project, detailing the programme management and governance arrangements, project timetable and risk management arrangements
  - Section 7: **Summary and conclusions** – provides a short summary of the outcomes of the OBC and the next steps / way forward for the project to Full Business Case.

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## 2. The Strategic Case

### Introduction

- 2.1 This section sets out the strategic context for the project and presents the case for change, including the following key elements:
- an organisational overview of the Council
  - identification of the Council's business strategy and aims, as set out in its key economic and spatial strategies
  - the wider strategic context
  - an overview of the existing arrangements and identification of the service gap
  - a summary of the market assessments undertaken in relation to the core Cultural Heart uses (i.e. Venue, Museum, Gallery, Library, Urban Park, MSCP) and commercial supporting uses, including the Food Hall
  - setting out the scope of the project
  - identification of the anticipated project benefits, constraints, dependencies and risks.

### STRATEGIC CONTEXT

#### Organisational overview

- 2.2 This project is owned by Kirklees Council (the Council) and falls under the governance of the Council's Growth and Regeneration department.
- 2.3 Kirklees Council is the local authority providing local government services for the borough of Kirklees in West Yorkshire, England. It is a Metropolitan District Council and one of five constituent councils of the West Yorkshire Combined Authority. The Council is composed of 69 councillors, three for each of the district's 23 wards and, since May 2022, is a majority Labour administration (36-33).
- 2.4 The Council currently owns all of the land under consideration for the Cultural Heart although some of the properties are subject to leasehold interests to third parties as described in the Strategic Outline Case (SOC), Appendix A.

Figure 2.1 Huddersfield Library



Figure 2.2 Queensgate Market



### Business strategy and aims

- 2.5 The Council's business strategy and aims are set out in its key economic and spatial strategies.
- 2.6 Table 2.1 sets out a summary of the relevant strategies and how this project fits or could contribute to the key aims and objectives of each. A review of each of the key documents was undertaken at SOC.

Table 2.1 Local strategic fit

Strategy	Project fit/ contribution
Huddersfield Blueprint – 10 year vision	<ul style="list-style-type: none"> <li>✓ A ten-year vision which sets out a framework to capitalise and build on the unique aspects and character of Huddersfield to promote its regeneration and bring forward new uses which reflect the changing nature of town centres.</li> <li>✓ Cultural Heart one of six key regeneration areas</li> <li>✓ Cultural Heart will be the catalyst for change in the town centre, and the most iconic vision within The Blueprint</li> <li>✓ Open up the area for a large family-friendly Town Park</li> <li>✓ Make it easier for pedestrians and cyclists to move around the town centre</li> </ul>
Huddersfield Blueprint – Cultural Heart Vision	<ul style="list-style-type: none"> <li>✓ Cultural Heart uniquely brings together Kirklees Council's current cultural services into a holistic and seamless experience</li> <li>✓ Builds on the achievements of the town's generations of innovators</li> <li>✓ Friendly, accessible, and welcoming to all, it will be multi-purpose and multi-agency with experimentation, education and experience at its very core</li> </ul>
Kirklees Economic Strategy 2019-2025	<ul style="list-style-type: none"> <li>✓ Growing an inclusive and productive economy</li> <li>✓ Provide the flexibility to plan for change and sustainability</li> <li>✓ Respond to the impacts of Brexit</li> </ul>
Culture Kirklees	<ul style="list-style-type: none"> <li>✓ Work with communities and volunteers to care for collections and buildings and jointly curating exhibitions which reflect the interests of the community and tell their stories</li> <li>✓ Enable communities to plan and deliver their own cultural activities and events rather than provide for them</li> <li>✓ Increase the income generated from activities plus attract more external investment</li> </ul>

Strategy	Project fit/ contribution
	<ul style="list-style-type: none"> <li>✓ Greater collaboration with public sector partners, businesses, and community organisations</li> </ul>
Kirklees Local Plan Strategy and Policies	<ul style="list-style-type: none"> <li>✓ Strengthen the role of town centres to support its vitality and viability</li> <li>✓ Enhance the main cultural hub within the town centre</li> <li>✓ Protect and enhance the characteristics of the built, natural and historic environment, and local distinctiveness which contribute to the character of Kirklees.</li> </ul>
Library Strategy	<ul style="list-style-type: none"> <li>✓ Developing links with other services and partners to deliver initiatives in local communities</li> <li>✓ Meet community needs and maximise the impact on early intervention and prevention</li> <li>✓ Ensure an efficient and cost-effective delivery model</li> <li>✓ Growing work with hard-to-reach communities and their 4 key offers: Culture, Health, Digital and Reading</li> </ul>
Kirklees Joint Health and Wellbeing Strategy	<ul style="list-style-type: none"> <li>✓ Support the innovative approaches required to enable change, given the changing needs of local people and the current economic climate</li> <li>✓ Provide a context, vision, and overall focus for improving the health and wellbeing of local people and reduce inequalities</li> </ul>
Kirklees Events Policy	<ul style="list-style-type: none"> <li>✓ Identifying key council-controlled spaces, highlighting the types of events that will be suitable for different high profile and in demand spaces and setting clear conditions and criteria by which applications to use Council land will be assessed</li> <li>✓ Use a wide range of events and festivals as an opportunity for celebration, civic pride and for communities to come together in shared experiences</li> </ul>
Invest in Kirklees	<ul style="list-style-type: none"> <li>✓ The Cultural Heart is part of the Council's ambitious new plans which could see almost £500m invested over the next 10 years to transform the district</li> <li>✓ The industrial heritage, quality schools and colleges and a unique mix of thriving town centres, picturesque countryside and iconic villages, make Kirklees a place widely recognised for its quality of life</li> </ul>
Library ambition	<ul style="list-style-type: none"> <li>✓ Increasing reading, literacy, and early language development</li> <li>✓ Improving digital access and literacy</li> <li>✓ Supporting everyone to achieve their full potential</li> <li>✓ Supporting everyone to live healthier and happier lives</li> <li>✓ Enabling greater prosperity</li> <li>✓ Building stronger, more resilient communities</li> <li>✓ Offering everyone access to culture and the opportunity to be creative</li> </ul>
Culture, Heritage and Tourism Strategies	<ul style="list-style-type: none"> <li>✓ Support the cultural sector including cultural organisations, creative businesses, freelancers and voluntary and community arts organisations, to recover from the impact of</li> </ul>

Strategy	Project fit/ contribution
	<p>Covid-19 including business and skills development programmes; supporting them to develop new business and delivery models; generate more income; and work together to develop a strong infrastructure.</p> <ul style="list-style-type: none"> <li>✓ Develop cultural programmes which achieve outcomes related to learning, health and well-being, cohesion, town centre regeneration and youth employment and also enable communities to produce their own cultural activities</li> <li>✓ Establish a global reputation for Kirklees for its creative approach to music and textiles and using these assets to bring communities together and promote the district plus using cultural and heritage activities to create attractive places and integrate a cultural offer into non-traditional Venues such as town and village streets, parks, community centres and markets to open up access.</li> </ul>
Huddersfield public art plan	<ul style="list-style-type: none"> <li>✓ Improve the centre of Huddersfield alongside the developments laid out in the Huddersfield Blueprint</li> <li>✓ Utilise the power of temporary interventions to stimulate new perceptions</li> <li>✓ Reimagine Huddersfield town centre</li> <li>✓ Support and influence future decision-making to embed the arts into new developments rooted in the rich heritage of the area, diverse communities and unique landscape.</li> </ul>
Kirklees public art policy	<ul style="list-style-type: none"> <li>✓ Attract new developments that create quality places and make a positive difference to how people experience the places in which they live and work</li> <li>✓ Diverse communities and young people to be integral to the creative engagement and thinking</li> <li>✓ Public art integrated into regeneration and development schemes built on best practice and partnerships to achieve the highest quality public art and public realm</li> <li>✓ The diverse local heritage and stories to be visible, shared and celebrated</li> </ul>
Sustainability/Environment Policy	<ul style="list-style-type: none"> <li>✓ Meets ambition of Council's Climate Emergency Statement</li> <li>✓ Complies with Phase One Action Plan</li> <li>✓ Contributes towards carbon neutrality ambition</li> </ul>

2.7 As the above table demonstrates, the Cultural Heart is ideally placed to help deliver across a range of the Council's key strategic objectives. It's one of Kirklees' 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.

2.8 Over the past 20 years, the rise of online shopping and out-of town retail has seen the traditional role of town centres change nationally, and this change has been accelerated during the recent pandemic. The traditional shopping streets of Huddersfield's town centre have struggled in recent years against this macro-economic backdrop resulting in higher

vacancies and a proliferation of “discount” retailers. The reinvention of the traditional town-centre is gathering a more rapid pace as consumers increasingly look for a diversity of experience that mixes retail with leisure activities, including cultural visits and events, as well as destinations for socialising and dining. Also, a gradual repopulation of town centres is taking place with increasing numbers of residential property becoming available, leading in turn to an expectation of leisure amenity such as green space and family-friendly venues.

- 2.9 Cultural Heart will create the core facilities that future-proof consumer expectations 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 cultural, entertainment and business events market, and creating a platform to grow the economic and social vibrancy of Huddersfield and the wider Kirklees area.

**Other relevant strategies**

- 2.10 Cultural Heart sits within a broader strategic context, ranging from regional plans to build on the city regions’ strengths to a national level push to become a hub for cultural and creative activities.
- 2.11 The key relevant strategies and the potential project fit is summarised in Table 2.2, and a review of each of the key documents is provided in the SOC.

**Table 2.2 Regional and national strategic fit**

Strategy	Potential project fit
West Yorkshire Economic Recovery Plan	<ul style="list-style-type: none"> <li>✓ Capitalise on pro-environmental behaviours</li> <li>✓ Build on city region strengths, delivering investment opportunities, jobs &amp; better health outcomes</li> <li>✓ Cementing existing strengths in digital and manufacturing and addressing digital skills and access gaps</li> </ul>
Leeds city region strategic economic plan	<ul style="list-style-type: none"> <li>✓ Address long term challenges, unlock opportunities and fulfil the City Region’s potential</li> <li>✓ Become a positive, above average contributor to the UK economy</li> <li>✓ Seek to exceed the national average on high level skills and to become a NEET(not in employment, education or training)-free City Region</li> <li>✓ Make good progress on Headline Indicators of growth and productivity, employment, earnings, skills and environmental sustainability</li> </ul>
Leeds city region culture and creative industries proposition	<ul style="list-style-type: none"> <li>✓ Maximise the potential of culture and creative industries in driving economic recovery in West Yorkshire</li> <li>✓ Enhance quality of life</li> </ul>
Leeds city region industrial strategy	<ul style="list-style-type: none"> <li>✓ Accelerate economic growth across the City Region through technology and innovation</li> <li>✓ Make sure the environment promotes healthy lifestyles and is fit for future generations to enjoy</li> <li>✓ Put health at the heart of the region</li> <li>✓ Address the productivity gap with the rest of the UK</li> </ul>

Strategy	Potential project fit
Let's Create Strategy 2020-2030 (Arts Council England)	<ul style="list-style-type: none"> <li>✓ Become a hub for cultural &amp; creative activities</li> <li>✓ Give access to a range of cultural events in towns and rural areas from all economic and social backgrounds</li> </ul>
National Planning Policy Framework (NPPF) and National Planning Policy Guidance (NPPG)	<ul style="list-style-type: none"> <li>✓ Support the role of town centres by taking a positive approach to their growth, management and adaptation</li> </ul>

- 2.12 Cultural Heart will have regional influence and significance as Huddersfield has been identified as an Urban Growth Centre Spatial Priority Area in the Leeds City Region Strategic Economic Plan. Priorities include supporting mixed infrastructure including employment, commercial and residential opportunities. The project will also maximise the potential of culture and creative industries in driving economic recovery in West Yorkshire.
- 2.13 From a national planning policy perspective, local authorities can take a leading role in promoting a positive vision for town centres, bringing together stakeholders and supporting sustainable economic and employment growth. Cultural Heart has been a Council led scheme that envisions a new town centre which is family friendly, future focused, resilient and flexible to changing the cultural dynamic of the town and provide a more engaging offer to both resident and visitors. This follows the guidance of the NPPF/NPPG which states that local authorities need to consider structural changes in the economy, in particular changes in shopping and leisure patterns and formats and the impacts these are likely to have on individual town centres.

### *Sustainability*

- 2.14 The wider national, regional, and local government strategic sustainability objectives and targets acknowledge the current climate emergency with relevant accompanying targets looking to establish a foundation to ultimately reach net zero carbon. Within the West Yorkshire Combined Authority and Kirklees Council there is a 2038 Net Zero Carbon target, and the 2019 Climate Emergency Declaration and the Kirklees Air Quality Strategy and Five-Year Air Quality Action Plan emphasise the importance of working towards Net Zero Carbon on programmes and projects.
- 2.15 Regeneration programmes, such as Cultural Heart, must work towards the 2038 net zero aspirations to support the wider transition to a net zero economy and to meet the requirements of the Council's declarations. A net zero economy and net zero carbon design, construction and operation cannot be achieved overnight, but will be a process of incremental and positive actions to meet 2038 targets. The implementation of progressive and positive step change must be embraced to support the Councils' declaration of a Climate Emergency.
- 2.16 The Cultural Heart programme has an opportunity to showcase how sustainability can be embedded in an ambitious regeneration programme, to demonstrate positive low carbon design and construction, and to be a regional and national exemplar of sustainable development within a local authority context with potentially constrained resources.
- 2.17 A Strategic Sustainability Plan (Appendix B) has been produced by Turner & Townsend that outlines the steps that should be taken by the Council and its delivery partners to work towards the Council's net zero and wider sustainability aspirations. The plan has been



designed to align to the Kirklees Climate Emergency declaration as well as the regeneration aspirations of the Cultural Heart Programme. The plan also considers national trends that will need to be reflected in current plans or which will be integrated over time to future proof the regeneration programme in terms of increasingly wider ranging sustainability and climate regulations. The plan addresses key themes of energy, carbon and sustainability; setting the vision as well as providing guidance on the approach to be adopted strategically in terms of delivery.

- 2.18 The report referred to in the SOC outlines the steps that should be taken by the Council and its delivery partners to achieve net zero and wider sustainability aspirations. The report aligns with the Kirklees Climate Emergency declaration as well as the regeneration aspirations of the Cultural Heart Programme.
- 2.19 The plan considers national trends that will need to be reflected in designs or which will be integrated over time to future proof the regeneration programme in terms of increasingly wider ranging sustainability and climate regulations. The overall aim of the plan is to:
- define a low carbon and Climate Resilience Strategy for the Cultural Heart Programme - outlining and considering options to meet Climate Emergency aspirations
  - align the programme of works to Kirklees Council strategic objectives, policies and general feedback received, notably to work towards the delivery of the Net Zero Carbon (NZC) emissions 2038 target
  - establish a framework of topic-specific focus areas to deliver a sustainable Cultural Heart
  - establish sustainability and low carbon targets that can be adapted and aligned to core programme and project uses
  - outline a performance management, assurance and reporting framework, ensuring transparency around the carbon performance of the programme of works and individual projects over defined timescales.
- 2.20 This strategy therefore addresses the wide range of sustainability topic areas that are now vital to realising 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 key performance indicators (KPIs) are included for review and agreement, but further support the delivery of each theme to deliver in-line with Climate Emergency and net zero aspirations.
- 2.21 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 (new and existing) within Cultural Heart to create a set of preliminary targets across a 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 buildings within it.
- 2.22 A Kirklees Council Net Zero Carbon and Sustainability Committee is proposed to provide a dedicated gateway for decision making prior to Cultural Heart and programme board

approvals. It is intended that this group includes consultees who contributed to the original Strategic Sustainability Plan as well as an appointed third-party specialist. The Committee should pass 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, while also being a conduit to share best or innovative practice across the Cultural Heart programme.

## Objectives

2.23 The project objectives were developed and agreed by the Programme Board and are embedded in the project development to drive forward and co-ordinate the project to deliver on the objectives, including:

- the redevelopment of the Queensgate area to complement a modern-day town centre that will be busy, inclusive, family-friendly and stay open longer creating a tangible sense of community
- creating a vibrant and dynamic destination where visitors and residents of all communities and ages can gather and enjoy leisure, arts and music throughout the day, evening and into the night
- providing diverse and rich experiences that, not only bring people together, but are familiar, celebratory, and innovative and places Huddersfield's cultural heritage at the centre of the programme
- being accessible, providing open opportunities to participate, learn new skills, explore and discover
- increasing town centre footfall, supporting local businesses and Venues, employees and creating new commercial opportunities making the proposition attractive to stakeholders
- adapting and responding positively from the lessons learned and the impact of the pandemic, particularly the changing needs and aspirations of the town centre's catchment population
- having a masterplan that provides flexible spaces, high quality design and a variety of architecture bringing out the unique characteristics of the setting of the Cultural Heart and the listed buildings within it
- enhancing the use of the retained buildings and structures as destinations, increasing public access, while enabling them to perform an increased number of municipal and commercial functions more effectively
- encompassing the Councils 2038 Carbon Neutral Vision and policies encouraging sustainability and minimising the carbon footprint of the development
- providing for the creation of high-quality digital and physical infrastructure
- having a design where activities in the buildings spill out into a high-quality Urban Park that is welcoming, safe and with facilities for outside events of scale
- maintaining and enhancing connectivity to the rest of the town centre and its neighbourhoods, including essential links to the University
- creating social value benefits

- producing a master plan and completed assets that are financially viable and can be managed within affordable operational budgets
- being deliverable within agreed timescales and budget.

## The Case for Change

### Global Challenges

- 2.24 Recent events of the past two years have demonstrated the potential volatility of world markets with the consequent repercussion on local projects and services, such as Cultural Heart. Most recently, the war in Ukraine has led to a surge in oil prices with a knock-on effect across transport, retail and material costs. Inflation is also currently at a level that hasn't been seen since the 1970s. These factors are germane to the construction period of Cultural Heart and are reflected in the projected capital development budget, outlined in Section 6.
- 2.25 Much of the planning for Cultural Heart, including this Outline Business Case has, been undertaken during a period when the UK has been transitioning to a post-Brexit economy – a process that is deemed likely to continue for several years, covering the construction period of Cultural Heart and potentially its early operational years. Also, the consequences of the COVID-19 pandemic, short and long-term, are still subject to speculation.
- 2.26 During the pandemic period there was a significant impact across a range of sectors, including the entertainment, culture and business events industries, each of which are still recovering at various speeds. It has been assumed that by the time the Cultural Heart facilities open, these markets will have re-established themselves to 2019 levels. The implications of COVID-19 are explored in more detail in future sections.
- 2.27 The pandemic has underlined some of the existing reasons for developing Cultural Heart, primarily addressing some of the shortcomings within the existing cultural infrastructure in the town, including:
- **The Tolson Museum:** Kirklees Council decided in 2018 that the existing Museum facilities at Tolson should be closed and a new use found for the building in line with the charitable purposes of the Trust that owns it. This requires new Museum facilities to be found both for exhibition and care of the considerable number of artefacts in storage
  - **The current Library building:** the current building from the 1930s is in a poor state of repair and requires extensive remedial attention, as outline in section 3 in the 'Do Nothing' option
  - **The existing Gallery:** occupies the upper floor of the existing Library building - in addition to the renovation works described above, there has been water ingress into the art store necessitating the entire collection to be relocated while remedial work is undertaken
  - **Storage** - currently the Museum collections and the civic archives are housed in several buildings across the Kirklees estate, none of which meet required environmental standards and, in the case of the archives, has resulted in the threat of the Council *potentially jeopardising its status as legal custodian.*

### *Consultation*

2.28 A wide range of consultations have taken place throughout the development of this business case, with both internal and external stakeholders. The consultation programme was a key element for understanding and developing the case for change as it highlighted the main concerns with the current cultural offer and provided a scope for what the potential new facilities in the Cultural Heart should look and feel like.

2.29 The following consultations were undertaken with key internal Council stakeholders:

- individual meetings with a range of Council Heads of Service
- group consultations encompassing specific topics with key Council Officers covering: Museums, Venue, Library, Archive and Development
- individual meetings/workshops and consultation with the Programme Board.

2.30 Key topics explored with the internal stakeholders included:

- relationship/involvement to date with the Cultural Heart programme
- which of the principal objectives of the project is of most importance to them/their service area
- view on Huddersfield’s current cultural offer
- what differences would they like to see the Cultural Heart make to the town e.g. increased footfall, different ambience, increased civic confidence, higher city profile, etc.
- view on what the nature of the principal spaces should be
- view on the demand for each of the elements of the Cultural Heart.

During the course of developing this OBC, a series of workshops were held 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. Further detail is outlined in section 5 of this OBC

2.32 A full range of external stakeholders were also consulted, including Venue operators, events promoters, local stakeholders (e.g. University, Cultural Groups and Festivals) and national stakeholders (e.g. Arts Council England), exploring the following:

- how a new Venue in Huddersfield would fit within the regional and national event context from an entertainment and business events perspective
- views on the likely programme and ability to attract content/events /audiences
- views on the wider mix of facilities on site

█ interest in operating the proposed new Venue (and potentially wider site components), and if so on what basis. A soft market testing exercise was undertaken with a range of operators which is outlined later in this section. █  
█

- if they would be open to a partnering approach with other Venue or service operators to give a balanced programme of events (if they do not have all of the relevant experience in-house).

2.33 A list of all internal and external stakeholders is provided in Appendix E and consultation notes are available if required. This appendix contains both the planning stakeholder list and the general stakeholder list.

2.34 The key findings from these sessions have informed the Case for Change and are reflected in the section below.

#### Existing arrangements

2.35 The Cultural Heart programme is a key Council led regeneration scheme in Huddersfield Town Centre. This is part of a 10-year vision for Huddersfield Town Centre – the Huddersfield Blueprint to create a vibrant culture, art, leisure and nightlife offer, thriving businesses, a great place to live, improved access and enhanced public spaces.

2.36 The approximate extent of the Cultural Heart site is shown on the drawing in Figure 2.6, with the site boundary marked up in red. A split of the key areas can be seen in Figure 2.7.

Figure 2.6 Boundary of the Cultural Heart site



Figure 2.7 Key Areas within the Cultural Heart boundary



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***Current Facilities***

- 2.37 All of the facilities, with the exception of the Piazza shopping centre, are operated by the Council under a departmental operating strategy model. As part of the Council's finance structure, each facility operates with its own dedicated budget and financial accounts. The Queensgate Market is operated by the Markets Team, the Library by the Libraries Team and the Gallery and Museum by the Cultural Team. Although owned by the Council, the Piazza Shopping centre is operated by a third-party agent (Carter Jonas) in respect of rental income and another agent (Colliers) in respect of any service charge income and costs.
- 2.38 Table 2.3 overleaf outlines the current facility mix and general quality/condition.

Table 2.3 Current Situation – Core Facilities

Facility	Further Information	Summary
Queensgate Market	Background	Opened on April 6 <sup>th</sup> , 1970, the Queensgate Market Hall was built with a bespoke roof system of 21 asymmetric curved shells – ‘mushrooms’. The design is nationally unique and its listing also includes the basement spaces and the artworks. It is considered to be the best extant example of a retail market from the 1960s and 1970s. It a Grade II listed building, with the listing consisting of the entire building, including its interior.
	Operational Arrangements and Performance	The building currently operates as an indoor market with a variety of market traders operating from the site. It is operationally controlled by the Council’s markets team who also run the borough’s other markets. The market team let out the stalls on a variety of operating agreements to individual traders. Some additional uses have been trialled including use by the University Financial year 2020 (note COVID-19 impact): <ul style="list-style-type: none"> <li>• Income £510,000</li> <li>• Operating Costs (£460,000)</li> <li>• Net Operating Contribution £50,000</li> </ul>
	Current Situation	While the Venue still operates as an indoor market, the number of operating stallholders had been declining over the years, as result many of the existing units are not let. In addition, there has been a steady deterioration in the variety of the offer at the market resulting in steady decline in visitors to the market. The Queensgate Market is one of two markets located in the centre of the town. It is currently projected there will only be demand for one, and a new combined market is currently being planned on Brook Street, home of the current outdoor market. As a result, an alternative use is needed for this Grade II listed structure.
	Condition Survey	The Queensgate Market Condition Report prepared by Aedas building consultancy prepared in 2009 indicated a future capital spend requirement of £4.4m. Their report has subsequently been updated by Turner and Townsend with a current cost of £6.4m plus professional fees There is a poor environmental performance across the site, which relates primarily to the build standards/requirements at time of construction.
Huddersfield Library / Gallery	Background	The Library and Art Gallery building was built in 1937 and is a Grade II listed building. The listing consists of the entire building, including its interior.



Facility	Further Information	Summary
	Operational Arrangements And Performance	<p>The current Library building in the town centre is shared between the Library Service and the Gallery Service. The current Library facility is operated by the Council's Library Service, which also operates the other libraries in the Borough. While the building is shared with the Gallery, the Library Service is fully responsible for all the building costs including building maintenance. The Galleries Team are only responsible for the variable costs of operating the Gallery.</p> <p>Library – Financial Year 2020 (<i>note COVID-19 impact</i>):</p> <ul style="list-style-type: none"> <li>• Income £24,000</li> <li>• Operating Costs (£1,276,000)</li> <li>• Net Operating Contribution (£1,252,000)</li> </ul> <p>The Library currently is a net annual cost of c£1.25m per annum to the Council, including £350k allowance for replacement books and other materials.</p> <p>Gallery – Financial Year 2020 (<i>note COVID-19 impact</i>):</p> <ul style="list-style-type: none"> <li>• Income £8,000</li> <li>• Operating Costs (£51,000)</li> <li>• Net Operating Contribution (£42,000)</li> </ul> <p>The Gallery currently is a net annual cost of £42,000 per annum to the Council</p>
	Current Situation	<p>Both the Library Service and the Galleries Team do not consider that the existing building is suitable and does not provide sufficient space for either use. Both organisations ideally require additional space. The Gallery cannot exhibit a large part of its collection, with many great works remaining in storage.</p> <p>The Gallery has been closed and the Council is currently trying to relocate it to an alternative location within the borough as a temporary solution.</p>
	Condition Survey	<p>The Library Condition Report prepared by AHR Building Consultancy Limited in August 2020 estimated future capital spend of £7.86m is required. Turner and Townsend has reviewed the report and indicated that the costs would be £6.4m plus professional fees</p>
Piazza Shopping Centre	Background	<p>The Piazza was built in 1970-74 as a retail shopping centre to enhance the shopping experience in the town and contains numerous retail units of varying sizes some of which are let to national chains.</p> <p>Part of the Piazza is attached to the Queensgate Market and is included as part of that listing. But the list description states that the "attached shops, mostly built 1970-74, are not of special interest", nonetheless listed building consent would be required for adaptation or demolition.</p>

Facility	Further Information	Summary
	Operational Arrangements And Performance	<p>The Council in June 2019 purchased the shopping centre as part of its long-term strategy for the town centre. At the time of purchase the centre was already in considerable decline with many of the shop units empty, particularly the smaller ones. As a result of the changes in the retail environment over the last few years there has been a steady reduction in the demand for retail space throughout the town centre and, as a result, there is a current over-supply of retail space within the town centre. The Centre continues to experience the further closure of units as the current leases expire.</p> <p>The Centre is operated on behalf of the Council by the specialist agent Carter Jonas who collect the rents. The service charge is overseen by Colliers.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
	Current Situation	<p>The demand for retail space in the town continues to decline in line with UK High Streets' retail downturn across the country, resulting in an increasing number of empty properties. Therefore, the Council as owners of the Centre would like to see a repurposing of the site to an alternative use, including the demolition of all the current shopping units.</p> <p>[REDACTED]</p> <p>[REDACTED] With the downward trends in the retail market, rents will fall from the Piazza site overall as leases come to an end or are renewed. Also, there is likely to be considerable asbestos issues in many of the current buildings,</p>

Facility	Further Information	Summary
	Condition Survey	Piazza Condition Report prepared by the specialists Watts Limited in August 2020 indicates an estimated minimum future capital spend of £981,000, excluding VAT, is required.

2.39 Several of the new facilities proposed as part of the Cultural Heart, such as the Venue and Food Hall, do not currently exist in Huddersfield and are described later in this section.

2.40 The photos, below, give an indication of the current built environment with the Cultural Heart envelope:









***Contextual Facilities***

- 2.41 There are other facilities in close proximity of the Cultural Heart which may have implications on the project which are outlined in Table 2.4 overleaf.

**Table 2.4 Current Situation – Contextual Facilities**

Facility	Further Information	Summary
Huddersfield Town Hall	Background	The Town Hall not only serves as a working administrative Town Hall, it is also home to a 1,200 capacity music venue. The Venue holds a variety of events including music and comedy. It has a spectacular organ and is especially suited for classical concerts, with an excellent acoustic quality particularly suited to the music rather than the spoken word.
	Operational Arrangements and Performance	The Town Hall is internally managed by the Council Venues Team who have direct responsibility for the events at the hall.
	Current Situation	As its location is directly adjacent to the proposed Cultural Heart, it would in reality be classed as part of the Cultural Heart. As its event programme is more classical music focussed it would be complementary to any music programme at the proposed new venue.  The Town Hall has limitations in regards to the type of events it can host. It cannot accommodate any standing events due to the dancing / jumping to music causing the plaster on the meeting rooms below to crack. It is also acoustically not fit to host rock/pop events and does not have the appropriate infrastructure for crowd management.
Lawrence Batley Theatre	Background	The Lawrence Batley Theatre originally opened as a church mission in 1819, eventually closing in 1970. After extensive fundraising it reopened in 1994 as a 477 seat theatre, operating a varied theatrical programme including an annual pantomime.
	Operational Arrangements and Performance	The theatre is operated by the independent Kirklees Theatre Trust, a registered charity.
	Current Situation	The venue, following the Covid 19 closure, continues to operate as a theatre with a full theatrical programme. Due to its close proximity to the Cultural Heart the theatre would also be classed as part of the Cultural Heart.
Tolson Museum	Background	The Tolson Museum is located in what is formally known as Ravensknowle Hall. The building was donated to the Council in 1919 by Legh Tolson and was opened as a museum in 1922. It is currently home many of the borough's historic artifacts including rare vehicles, textiles and other civic memorabilia.

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## Business Needs and Market Assessment

- 2.42 A comprehensive market assessment has been undertaken through previous feasibility studies and as part of the SOC for the project, including, a business needs and market assessment for each of the major use types to be included in the project. The key findings and the resultant facilities requirements are set out in table 2.3 with the full detailed assessment as part of the SOC.

### Venue

- 2.43 The market trends for entertainment pre-pandemic indicated a growing market with increasing numbers of productions, performances, attendances (tickets sold) and percentage of capacity achieved by theatres, as well as an increase in the average ticket price achieved by Venues. The market was significantly impacted by the COVID-19 pandemic but has since then been recovering and is expected to return to pre-pandemic levels within the next 2-3 years, i.e. in the timeframe within which a new Venue can be delivered. Current Venues in the UK are reporting very full programmes with the usual programme plus events that were delayed due to COVID.
- 2.44 Huddersfield has a large catchment within a 30-minute (1,037,591) and 45-minute (3,571,224) drivetime. With some minor variations, the levels of engagement with and attendance at arts and cultural activities is in line with the national average. However, there is significant overlap in catchment with Leeds/Bradford/Sheffield within a 30-minutes drivetime, and a small overlap with the Manchester 30-minute catchment. This leaves Huddersfield with a small but sufficient unique catchment to draw audiences from.
- 2.45 Considering the competition for entertainment facilities, there are several small-scale Venues in or near the city centre, including The Parish and the recently opened Smile Bar and Venue, and this market is well catered for. The largest Venue in Huddersfield is the Huddersfield Town Hall (1,200), which has access and acoustic limitations and would not be considered direct competition for any new Venue. Due to the adjacency of the Town Hall and Lawrence Batley Theatre to the Cultural Heart, these two Venues are likely to be seen, from an audience perspective, as part of the Cultural Heart provision. Complementary programming across all the facilities would greatly enhance the live performance offer of the overall Cultural Heart offer.
- 2.46 On a regional level, there is a reasonable level of competition: the core cities of Leeds and Manchester both have a large indoor arena capable of attracting national and international touring product, and a portfolio of other entertainment facilities up to 3,500 capacity, covering all main genres of entertainment. A new Venue opening in Bradford (4,000 capacity) will also provide competition for any Venue in Huddersfield.
- 2.47 Regarding the business events market, a detailed market analysis has been undertaken in the SOC. The key findings included:
- the largest conferencing facilities in Huddersfield are at the Cedar Court Hotel (500) and John Smith Stadium (440), but both are located out with the town centre
  - small business events Venues are well catered for locally but there is a lack of any mid to large scale conferencing facility in the town centre



- there is a fairly strong regional provision of conferencing Venues with over a 300-delegate capacity (c.35 facilities in c.60 minute drivetime) however, many are not in town centres do not have as good transport links, and several are quite old
  - based on the location, accessibility, presence of the University, the range and ambition of the Cultural Heart scheme and its complementary facilities, a new Venue is likely to attract a range of business events.
- 2.48 Based on the market potential and existing competition in the local and regional area, the scale of a new Venue in Huddersfield should ideally be between c.800 – c.1,200 capacity, which would position it as the primary entertainment and conference facility in Huddersfield.
- 2.49 Meeting the ambition of the Council for the Venue to compete on a regional scale would require extending the Venue’s maximum capacity – this would provide the opportunity to promote and stage larger-scale one-off entertainment events (for which there is a market, albeit limited by regional competitors) without compromising the primary market. In the preferred option, therefore, a flexible Venue has been designed to accommodate a maximum capacity of 2,200, while also reverting on a more usual day-to-day basis to two spaces of c.300 (seated; 440 standing) and 1,200 capacity (that can run simultaneously, albeit with some restrictions). The Do Minimum option only allows for the smaller Venue of 1,200 capacity.

### Library

- 2.50 Through the DCMS, Arts Council England have a national role developing public libraries, recognising that they have a key role to play in the delivery of cultural strategies and activities. In addition to this, “Libraries Connected”, as one of the key national development agencies for libraries, has recognised culture as one of their four key drivers, known as the Universal Offers. They recognise that:
- “Public libraries understand how to create a quality cultural experience and are often the first place that children and young people experience cultural events. No other public body has the same reach across the UK’s most diverse local communities and the flexibility to respond to local needs. Reaching people who do not normally take part in cultural activities and helping them to develop a love of and appreciation of the arts is at the core of our Culture Offer”.*
- 2.51 In response to this and to the Libraries Taskforce’s seven ambitions for libraries, Access to Culture was developed as a key strand of Kirklees Libraries strategic ‘Ambitions’ document providing opportunities to participate in, and access, culture regardless of background.
- 2.52 In addition to being a statutory service, libraries in Kirklees align their work to the Council’s outcomes, to ensure residents get best value from the service. By these standards, therefore, a successful Central Library should be accessible to all ages, all communities, and in all circumstances; social, emotional, economic and physical, where everybody is welcome and nobody is left out. It should be a building that reflects the community’s past, meets current needs and opportunities, and is prepared for the future.
- 2.53 Kirklees already provides a significant amount of high-quality cultural events and activities through its Library service and an enhanced Library offer in the town centre would create an opportunity to improve and expand that offer further. In 2018-2019, Huddersfield Library held

over 1,000 events attended by almost 16,000 people (for example, 250 people came to see “The Orielles” at one of the “Get it Loud in libraries” gigs in 2019).

2.54 To deliver outstanding Library provision for all who live, work in and visit Huddersfield, the Central Library needs feel safe, inclusive and be a welcoming destination that serves a diverse demographic community of interests.

2.55 The Library should have spaces that provide a range of services, including:

- books - a celebration, ease of access, representing of local community as well as embracing a world of opportunity, knowledge and adventure
- information support – trusted professionals offering guidance and advice, including a strong business support offer
- space and comfort – where visitors should feel safe, inspired, and no money is required
- child /family /school group friendly - this space should be a destination and not an add-on to the adult space, where noise is not frowned upon and creative play and learning is anticipated and accepted; a space where children of all ages are supported in getting the best start; a space which allows work with vulnerable children in a place where they feel safe to learn, share and create
- welcoming and appropriate spaces and activity for young people – individually and in groups
- equal accessibility for rapid use (quick drop ins) and all-day stays
- spaces for Council departments, local health services, third sector organisations, community groups to meet, inform, advise, and support the community. Spaces which can be adapted for large drop-in events as well as for private appointments, including helping to support people to improve their health and wellbeing
- showcasing, interpreting and easy access to local heritage through a local and family history service – reflecting communities across Kirklees
- study/quiet space available for students (of all ages), for business start-ups, for aspiring writers, for writing CVs, for bloggers, for readers, for tourists to write postcards, for carers to fill in forms, for report writers, for artists, for whoever needs a moment of peace in a world full of noise
- dedicated space to support the growth of scientific and other types of creativity, equipped with the necessary tools to allow people to experience the possibilities of coding and electronic construction and prototyping, and other craft or maker-space type activity utilising equipment which would be unaffordable to most individuals
- designated exhibition space to accommodate British Library touring exhibitions. The service already has a unique relationship with the British Library, which can bring high quality, professional exhibitions to Kirklees

- cultural opportunities which tie in with the Cultural Heart neighbours and beyond. Libraries are used by sections of the community who do not access other forms of culture. The Library space could introduce and demystify other cultural offers and offer springboard experiences that would help to empower people to expand their creative horizons, through performance and activity spaces
- for many people this Library will be their local Library and should, therefore, meet the same expectations that we would have for any other Library, such as regular story times, reading groups, community spaces for community run activities
- the ability to run large-scale events with confidence, for example Get it Loud in Libraries gigs, author talks, festivals, children/young people takeover days, Fun Palaces etc.

2.56 In designing a new space for Library provision, the Council's Library Service believe following principles should be considered:

- **Unfixed flexible spaces** - designing spaces with flexibility in mind supports the evolving needs as the service. For example, fewer built-in service counters and computer stations or study carrels, modular furniture pieces to accommodate these functions and allow for future reconfiguration with minimal disruption and cost, fewer fixed PC stations, mobile furniture, and the use of furniture and shelving to designate spaces without walls
- **Light and airy open spaces** - whether the Library is a brand-new space or an existing one, light open spaces are being emphasized in current building design. Sustainable practices and the general trend for healthier lifestyles have driven the demand for more natural light and views to the outside. This can be achieved by adding or building larger windows, adding interior windows to bring light farther into the building, having lower Library shelving to extend natural daylight, and even clever use of colour or floor pattern changes
- **Power** - electricity demands continue to increase across the board and are an important design consideration. Because of emerging technologies, locations where devices are being used continually change, and this creates a demand for multiple types of access to power; for example, powered tables, powered lounge furniture, charging stations, or wireless charging areas. Planning for power and data infrastructure is imperative to keep up with the changing demands in a cost-effective way
- **Collaborative spaces** - Library spaces are in demand. Many new Library designs are incorporating rooms or "rooms within a room" for collaboration and meeting spaces. Manufacturers are producing some great solutions for varying degrees of need, such as demountable partitions or moveable walls, makerspaces with accessible wall panels for changing technology upgrades, meeting rooms that include writable marker board walls, acoustic separation, as well as free standing lightweight partitions and screens.

2.57 To maintain a sense of community ownership, it will be important for the Library Service to continue to engage with current Library users, all stakeholders and the wider community to establish their views on future Library provision in the town centre. Community participation should help in the creation of a vibrant, relevant space. In addition, it is important to explore the feasibility of co-location of spaces and/or services with Museums, galleries and archives to create a flexible and fluid space to provide the best customer experience.

- 2.58 The West Yorkshire Archive Service (WYAS), exists to preserve the past, serve the present and protect the future. It does this by collecting and looking after the unique documentary heritage of the region and by helping members of the public use and enjoy these records. It currently has a front-of-house presence in the Library, which includes a modest level of storage on-site, and is a good fit with the Library's Local History Service. The archive service is a good fit with the broader range of Library services, sitting well alongside the research facilities.
- 2.59 In terms of current research visitors, WYAS' Kirklees users tend to be younger than the sector average and are also distinct in that they are more interested in using archives collections for more active/democratic purposes as part of their daily life (e.g. relating to their home, street, local community) rather than for purely historical purposes. The proposed new development presents an opportunity to broaden the current user demographic. There is a modest number of annual visitors, however, maintaining and creating public access to the civic archives is a statutory duty, and it is worth noting the service has reported a notable increase since moving [REDACTED] where it has a visible shop front onto the Piazza. Most of the archives material is housed off-site in locations that are currently deemed unfit for purpose and the Council has been warned it risks losing its status as an approved custodian of the archives if this is not addressed. This storage facility does not necessarily need to be in the Cultural Heart.
- 2.60 In summary, therefore, the Central Library currently has:
- high number of annual visits – c.360,000 p.a. – suggesting hyper-local audience
  - large number of IT uses (almost 60,000) – suggesting frequent visits and solid user base (c.14,000 members), including university and school-age users
  - high student use of research rooms and study area
  - potential for a new Library facility to increase usage by 20-25% i.e. additional 72,000-90,000 p.a. with the right facility mix and spaces
  - demographic in often hard-to-reach groups; very different user profile to Museum and Gallery
  - creates 'safe' environment – high access value for visitors
  - potential for facility combining/sharing
  - potential for shared storage on-site.

### Museum and Gallery

- 2.61 In order to fully understand the potential future demand for Museum and Gallery we conducted market research and analysed audience agency data to understand what the market was telling us. This was to ensure that the service actually needs all the space requirements that are stated in the area schedule and that it can be justified through the potential future demand for the facilities.

- 2.62 The market research that was conducted considered local, regional and national data to understand the market trends and the propensity for audiences to visit cultural sites.
- 2.63 The market research identified some key points to consider, including:
- Low level of attendance at current Museum and Gallery
    - 26,000 visits p.a. to Tolson Museum, which accounts for just 18% of all Museum visits in Kirklees. However, the Museum is an out of town location and has significantly reduced opening hours and a limited display capability
    - Current Gallery within existing central Library (top floor) attracts c.15,000 visits p.a. which is a very modest attendance for a central location and a Gallery with high-quality of collections. However this reflects a subsuming of profile within the existing Library building and a limited space to display current collections and host large touring exhibitions
  - Currently, the majority of Museum and Gallery visits come from within a 20-minute drivetime, therefore, a very local audience
    - a centrally-located Museum should have greater attractiveness – increasing to a 30-minute drivetime alone could generate c.57,000 visits p.a.
    - a new Gallery facility would have greater attractiveness – increasing to 30-minute drivetime alone could generate c.32,000 visits p.a.
  - The proportion of adults visiting a Museum or Gallery in Kirklees (44.9%) is considerably lower than the regional (47.5%) and national average (50.2%). This could be down to a number of factors including a low-quality provision, a lack of accessibility and a better cultural offer available elsewhere within the region and beyond. This suggests that there is capacity to increase the local attendance to at least meet the regional, if not, the national average
  - The above is supported by Audience Agency data which shows an engaged audience that has below national average visits to cultural sites, suggesting scope to increase local and regional visits to Museum and Gallery
  - There are visitor demographic challenges for Museum and galleries as there is a large socio-economic gap in visitors (24% between upper and lower) and ethnic diversity (5% between white and BAME).
- 2.64 The market research suggests there is a future demand for a new Museum and Gallery and data indicates there is currently a low-level existing offer, which fails to fully engage the current population, even though they demonstrate a high propensity to consume cultural activities. With new cultural facilities it would be possible to attract a greater number of visitors than the current offer and these facilities will appeal to a regional audience.
- 2.65 In terms of comparators, there are currently better cultural offers elsewhere in the region e.g. Halifax and Wakefield. Kirklees will need to provide a high-quality provision if it is to compete with neighbouring authorities who over the last ten years have invested significantly in their

cultural and visitor facilities, e.g. Calderdale in the Piece Hall; Wakefield in The Hepworth and Yorkshire Sculpture Park; Leeds in its theatres, a music arena and attracting large scale events.

- 2.66 However, in terms of a benchmarks, Table 2.5 below provides details of the 12 most visited Museum and /or Art Gallery in Yorkshire & Humber region. The data is taken from Visit Britain's Annual Survey of Visits to Visitor Attractions and shows visitor numbers to each site from 2012 to 2018 (pre COVID pandemic).

**Table 2.5 Most Visited Museum/Galleries in Yorkshire and Humber**

Most Visited Museum and /or Art Gallery in Yorkshire & Humber	District	2012 visitors	2013 visitors	2014 visitors	2015 visitors	2016 visitors	2017 visitors	2018 visitors	% 17/18	Charging	Charge Band
National Railway Museum	York	716,000	931,388	718,288	731,603	733,266	717,614	824,790	15%	Free	Free
Museums Sheffield: Millennium Gallery	Sheffield	849,360	800,844	764,892	764,639	776,977	723,128	737,952	2%	Free	Free
Leeds Art Gallery	Leeds	N/A	N/A	N/A	N/A	N/A	113,890	469,408	312%	Free	Free
Yorkshire Sculpture Park	Wakefield	N/A	N/A	436,452	638,907	523,921	493,997	464,356	-6%	Free	Free
National Science and Media Museum	Bradford	504,000	479,158	433,342	440,299	415,891	493,482	459,808	-7%	Free	Free
Lotherton Hall & Gardens	Leeds	34,570	109,631	179,745	193,968	384,149	415,611	453,335	9%	Paid	£7.50 to £9.99
Jorvik Viking Centre	York	388,148	395,851	N/A	N/A	N/A	328,243	353,777	8%	Paid	£10.00 and over
Eureka! The National Children's Museum	Halifax	275,685	274,870	302,460	289,829	289,898	303,545	299,930	-1%	Paid	£10.00 and over
Leeds City Museum	Leeds	268,352	321,529	297,048	280,399	280,823	297,860	299,465	1%	Free	Free
Kirkstall Abbey	Leeds	123,947	176,284	188,684	206,642	233,816	268,029	285,195	6%	Free	Free
The Hepworth Wakefield	Wakefield	387,840	N/A	206,000	185,000	210,275	230,684	239,609	4%	Free	Free
Museums Sheffield: Weston Park	Sheffield	255,617	242,197	235,994	215,000	231,096	216,806	226,421	4%	Free	Free

- 2.67 The data shows that the National Railway Museum in York is the most popular Museum in the region and it attracted c.825,000 visitors in 2018. This is a Museum of local, regional and national significance, hence it attracted such a large audience. The other significant cultural asset that attracted high visitor numbers in 2018 is the Millennium Gallery in Sheffield which attracted c.738,000 visitors. The remaining 10 Museum and /or Art Galleries attracted between 226,000 - 470,000 visitors. The Arts Councils states that for a cultural facility to be considered a regional asset, it must attract a minimum of 200,000 visitors per year. Therefore, all of the above facilities can be considered to have regional significance as they surpass the threshold.
- 2.68 This shows that there are a number of existing Museum and /or Art Galleries within the region that a new Museum and Gallery in Huddersfield will have to compete with for audiences. However, it also shows the appetite for visitors living within the region to consume cultural activities and thus the ability to attract a large number of visitors to a new Museum and Gallery.
- 2.69 The new Museum and Gallery in Huddersfield will have a number of significant collections and will have the ability to attract regional and national touring exhibitions. This can help to establish itself as a regional cultural asset and attract audiences in line with the current regional facilities.
- 2.70 The Hepworth Gallery in Wakefield is a good example of a recent facility that has opened and gone on to establish itself as a key regional asset. It achieved significant audience growth in the 2017/18 financial year with the Gallery attracting 250,000 visitors, a 22% increase on the previous financial year. The Gallery opened on 21 May 2011 and attracted 512,000 visitors within the first 12 months.

- 2.71 It is understood that the ambitions of the Council is to promote Kirklees to investors and visitors through culture and wants culture to be integrated into the regeneration and growth of the town. In order to do that, it needs to build a reputation for Huddersfield as a centre for culture and heritage and this needs to be reflected in the scale of solution by providing a new Museum and Gallery that has a regional/national profile.

### **Food Hall**

- 2.72 The creation of a Food Hall as part of the Kirklees Cultural Heart is listed as a core requirement of the development project and a necessary offer to provide. A well-built Food Hall can be a key feature of a real estate project and a great compliment to a range of cultural facilities. With an exciting selection of food from around the world, a good Food Hall has a feeling of authenticity that pulls in daytime and evening diners. It can act as an anchor of a development project and support footfall and increase consumer dwell time. The Food Hall can provide an interface with the other cultural uses which in turn increase the footfall to the Food Hall itself. Food Halls showcase local identity, and also serve nearby office and residential communities and promote local industries and small businesses.
- 2.73 The template that has recently emerged in the United States and which includes a mix of authentically prepared food and drink offers, with an emphasis on communal dining, is the best indication of how European Food Halls are developing. In fact, the term 'Food Hall' in its modern sense is not yet widely recognised across Europe, where the word 'market' (with its clear heritage of high quality, fresh produce) is much more common. It is no accident that one of the leading European operators (Time Out Group) has chosen to use that word in its title. However, as concepts are developed and refined over the next few years, the use of the term 'Food Hall' will increase. It would be much easier for the commercial real estate industry if there was a single, widely understood term. That is unlikely to occur soon. In the meantime it is at least clear what a Food Hall/market is not.
- 2.74 Food Hall concepts have exploded in recent years. What was innovative in 2011 and on-trend in 2017 is now rapidly becoming ubiquitous in most UK and European metropolitan markets and this needs to continue to be a viable model in coming years. The key to maintaining viability is making sure the fundamentals are in place, the strategy is clear, and the execution is well managed.
- 2.75 Food Halls have an offer that suits the convenience lifestyle and has the degree of flexibility needed for today's consumer. Customers like that they don't need to pre-book or pay a deposit, but can if they prefer; the ability for different members of their party to choose their own dishes, not bound by what the others want; and they like the "artisan" food, cooked in front of them from real ingredients. With any format comes challenges of course, and customers often complain of limited and uncomfortable seating, long waits for food from inexperienced operators and the interruption to a night out by queuing several times.
- 2.76 The space should include a footprint size of c1,500 sqm (net) to be provided as 'warm shell' space. A plant zone is required to serve the area with air changes (ventilation and air supply) and incoming services (electrical) and a floor slab clear of obstruction (internal walls) and ready for finishes to be applied. The construction fit out works are likely to be undertaken by the tenant (see below). A connection to external areas to provide outside seating and dining space is an essential component in connecting the Food Hall space to other offers and will

improve the creation of a social day time and night space. This will also provide some animation for the outdoor space and Urban Park.

### Urban Park

- 2.77 As part of the Cultural Heart vision, the Urban Park is considered a key element in the scheme. Huddersfield is surrounded by the countryside but has very little public green space and nature in the town centre. There is a direct correlation between access to nature and a natural environment, and health and wellbeing.
- 2.78 Providing an Urban Park gives an opportunity to not only enhance the public realm and provide a quality space but to also create connections and linkages to other parts of the town. Currently, the ring road causes a disconnect between the town centre and the University of Huddersfield, exacerbated by the loading bay structure of the Piazza. With the development of an Urban Park there is an opportunity to draw the university into the town centre as well as being an improved space for the public and visitors to engage with.
- 2.79 The vision of the Huddersfield Blueprint is to develop a Cultural Heart for the town centre where leisure, arts, music and events spill out into high quality external spaces. It will achieve this by breaking down the physical and perceived separation experienced between Queensgate and the university, as well as opening up views of the Town Hall, improving key links to the Lawrence Batley Theatre and the University, and to other parts of the town centre.
- 2.80 Alongside providing an Urban Park, there is opportunity to incorporate an outdoor event space. As laid out in the Kirklees Events Policy (2016), the Kirklees Public Art Policy (2017) and subsequent Huddersfield Public Art Plan (2019), events in various scales are important to the cultural life of the town. The different types of events which could be considered for this space include:
- **Events that are of benefit to the community:** Events have direct and indirect impacts on communities. They provide opportunities for participation, skills development, volunteering and social, cultural, economic and environmental developments. Community events and festivals can attract tourists and visitors at regional, national and sometimes on an international level. Events help to capture attention and promote attractions and infrastructures. The Council should recognise the value of community events for the benefit and cohesion of the community and local residents and could therefore provide additional support to encourage these events, for example marketing support through Creative Kirklees or a reduced rate on charges.
  - **Civic Events:** It is important that civic events are recognised as they bring together different communities under a shared banner, for example, Freedom Parades, Remembrance Sunday Parades or the Queen's Birthday. Similar to the 'events for the benefit of the community,' these events are important to the fabric of the community. For national celebration events, organisers could be signposted to where they can join in and be supported to link with spaces and places across the district to reduce their costs and those of the Council.
  - **Parades:** Parades are important to different festivals and events and are integral to different cultural celebrations. However, the impact of road closures is significant, therefore, to support such activity within the town, designated routes would need to be



established to ensure minimal impact on the wider community and local businesses whilst ensuring the events can take place safely.

- **Commercial events:** Whereby the organiser seeks to make commercial gain with no direct benefit to the community – whether they themselves are a profit distributing company/organisation and/or the activity is to purely gain profit for no benefit to the community. For events whose purpose is commercial, and the event is part of an organisation’s business model whereby they aim to generate a profit, the Council should seek to implement a clear set of charges and expectations. In addition to this, the Council should also have a clear set of terms and conditions with regard to the booking and deposit/bond and should stipulate requirements for how the event management company will behave with regard to local business operations and other requirements.
- **Events that bring vibrancy and are delivered in partnership:** The Council should seek to develop a strategy to look at with which events it wishes to be a partner. Such a partnership will be targeted on specific activity, for example regional sporting events. As a result of participation in these regional events, the profile and reputation of Kirklees and its towns and villages will be raised significantly. Regional partnerships on cultural activity will enable Kirklees to host and deliver high quality and high profile activity with multiple benefits for the economy and our communities.

2.81 A breakdown of the kind of activities that can take place is detailed in table 2.23 below:

**Table 2.23 Urban Park Activities**

Activity type	Activity Breakdown
<b>Animation</b>	<ul style="list-style-type: none"> <li>• public art installations, temporary sculptures</li> <li>• decoration / beautification sites</li> <li>• screenings - sport / films</li> <li>• lighting – attracting people for festive or other types of events</li> <li>• Small markets – pop up small scale</li> <li>• Large markets – international or Christmas markets</li> </ul>
<b>Commercial</b>	<ul style="list-style-type: none"> <li>• Small scale commercial activity and promotions</li> <li>• Large scale commercial events – festivals, food and drink events</li> </ul>
<b>Events/Festivals</b>	<ul style="list-style-type: none"> <li>• Small scale events and festivals – community fairs, live performance – theatre/music, outdoor celebrations,</li> <li>• Large scale events and festivals – live performance, local, regional, national and international festivals, outdoor celebrations – festive celebrations</li> </ul>
<b>Health and Wellbeing</b>	<ul style="list-style-type: none"> <li>• Movement, exercise and fitness classes for all ages</li> <li>• Pop-up Wellbeing ‘clinics’</li> <li>• Outdoor mindfulness and yoga sessions</li> </ul>

2.82 The overall ambition for the Urban Park is to create enhanced public realm and green spaces within a flexible, multi-functional space that complements the existing and new cultural uses and brings people into the new Cultural Heart.

- 2.83 The Council recently commissioned a separate outdoor Venue feasibility study to review all outdoor spaces across Kirklees to understand their scope for outdoor events. The study considered event site plans for the sites most suitable for outdoor events, with the idea of increasing events delivery and commercialising them. The outcomes of that study have been incorporated into the facility requirements for the outdoor events space. It should be noted that ancillary facilities will be required across the site i.e. faith room(s), changing spaces, management suite, gender neutral toilets, and such like, to ensure access and inclusivity.

#### Car parking

- 2.84 Kirklees Council commissioned SYSTRA to produce a car parking study for public parking provision in Huddersfield in 2019. The aim of the study was to provide a locally specific parking strategy and accompanying delivery plan for Huddersfield, which supported the aims of the Local Plan and the more specific spatial aspirations contained within the Huddersfield Blueprint within the plan period to 2031.
- 2.85 As part of the continued market assessment at this OBC stage further studies by Town Centre Parking (TCP) and ARUP transport have been undertaken into the car parking requirements to support the Cultural Heart Project. [REDACTED]
- 2.86 The studies were prepared to determine the level of new car parking required to support development of the Kirklees Cultural Heart (KCH) in Huddersfield town centre. It is acknowledged that given the Climate Emergency there is a need to reduce carbon emissions, and therefore reducing car traffic and providing electric vehicle charging points can play an important part in this. The Arup study [REDACTED] was undertaken to understand the current and future supply of car parking within Huddersfield town centre and forecast future demand as a result of the proposed KCH scheme. The study reviewed the previous Car Parking Study for the town undertaken by SYSTRA in 2019-2020 which included a detailed Evidence Base with occupancy data for town centre car parks. A site visit was undertaken which comprised spot check surveys at several car parks and visual assessment of pedestrian accessibility and quality. This verified the more detailed SYSTRA occupancy data and identified a few smaller, poorer quality car parks that were not considered suitable to serve the KCH scheme. A meeting was held with Council officers to determine future changes to parking based on planned developments across the town. As a result, the Study identified the existing car parking provision and future available parking capacity across the town centre for the peak periods; Weekday daytime (approx. 11:00-15:00hrs); Evening (after 18:00hrs) and; Saturday daytime (approx. 10:00-16:00hrs).
- 2.87 An assessment of the forecast trip generation and resulting car parking demand was undertaken for the KCH scheme, including the Museum and Art Gallery (6,800sqm), Library and Archive (5,000sqm), 2,250 capacity Venue and Food Hall (2,000sqm). The TRICS database was used to determine hourly vehicle generation and parking for weekdays and Saturdays for the proposed Museum, Art Gallery, Library and Food Hall development. IPW provided details of the types of events, operating days/hours, capacities and typical car mode share and occupancy for the proposed Venue. This was used to determine the peak events and car parking demand for the Weekday daytime, Evening and Saturday peak periods.

2.88 Table 2.24 below provides the resulting car parking assessment, which identified a potential shortfall of available parking on a Weekday and sufficient parking on an Evening and Saturday to serve the KCH scheme. The report acknowledged that there are a range of additional factors to consider when determining the parking provision for the KCH scheme, including the location and improved quality of any new car park, improved pedestrian accessibility and management and revenue opportunities of a dedicated facility. It also acknowledged that given the Climate Emergency there is a need to reduce carbon emissions and reducing car traffic and parking has an important role in this. On the basis the assessment undertaken a new car park of 250-350 spaces was recommended to serve the KCH scheme.

**Table 2.24 Car parking assessment**

	<b>Weekday Daytime</b>	<b>Evening</b>	<b>Saturday Daytime</b>
Available Parking Capacity	109	756	565
KCH Scheme Peak Parking Demand	242	513	549
Parking Shortfall	-133	+243	+16

2.89 This assessment is based on a subjective balance between:

- an absolute minimum of 150 spaces being unlikely to give any spare capacity for town centre peaks e.g. events/Christmas
- what the scheme needs (240-550 spaces) not relying on existing town centre capacity
- enabling provision of a new high quality and well-located facility to serve KCH
- implications of climate emergency and need to not over-provide car parking.

2.90 Due to its convenient location adjacent to the ring road and close to retail and leisure facilities in Huddersfield town centre, it would accommodate both long and short stay parking in a similar way to the previous Market Hall car park. Additionally, this car park would provide a high-quality facility for visitors to the nearby University of Huddersfield, which has been identified as being very limited on campus.

2.91 Given the opportunity that the significant capital investment presents, it is recommended that the highest design standards for multi-storey car parks are adopted, and options are explored to utilise the most modern technology for example a car park management system and real time information regarding the availability of spaces. These include efficient, user-focussed access and egress systems, remote access for user assistance, potential operating cost savings with the system being self-enforcing and full auditing, control and reporting of revenue. Value added services commonly offered at similar high-quality facilities such as car washing, valeting and shop-mobility should also be considered as part of the design.

Summary of business needs

2.92 Table 2.25 below provides a summary of the business needs/market demand for each of the key facilities.

*Table 2.25 Summary of business needs/ market demand*

Facility	Key findings of market assessment	Facilities required
Venue	<ul style="list-style-type: none"> <li>• Huddersfield has a large catchment within a 30-minute (1,037,591) and 45-minute (3,571,224) drivetime. However, there is significant overlap in catchment with Leeds and Sheffield, within a 30-minutes drivetime, and a small overlap with the Manchester catchment. This leaves Huddersfield with a relatively small unique catchment to attract audiences</li> <li>• The level of engagement and market for arts and cultural activities is in line with the national average</li> <li>• Number of small-scale entertainment facilities in the locale. Huddersfield Town Hall, The Parish, Smile Bar and Venue, and the Lawrence Batley Theatre, due to their adjacency to the Cultural Heart, are Venues that are seen as key supporting elements to any new Venue and not regarded as competition.</li> <li>• The core cities of Leeds, Bradford, Sheffield and Manchester both have a large indoor arena capable of attracting national and international touring product, and a portfolio of other entertainment facilities up to 3,500 capacity, covering all key genres of entertainment.</li> <li>• New Venue opening in Bradford (4,000 capacity) will also provide strong competition for any Venue in Huddersfield</li> <li>• Based on the location, accessibility, presence of the University and ambition for the Cultural Heart scheme, a new Venue would be</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-purpose Venue capable of accommodating entertainment, business events, and esports events</li> <li>• Scale of Venue to accommodate a range of configurations of 300, 800 and up to 1,200 seated on a regular basis, but with flexibility to provide up to a maximum capacity of 2,200 seated and standing. The three-hall format allows for two events simultaneously. This reflects market feedback and the ambitious programme for the Cultural Heart.</li> <li>• Potential for a secondary space of 400-600 capacity</li> <li>• To be able to act as major Venue/home for the national and international festivals held regularly in Kirklees</li> <li>• To be a flexible space to share with some of the other cultural uses including the Gallery, Museum and Library exhibition requirements</li> <li>• To accommodate a future potential demand for esports events</li> </ul>

Facility	Key findings of market assessment	Facilities required
Library	<p>able to attract a range of events (entertainment &amp; business) with the right mix of facilities</p> <ul style="list-style-type: none"> <li>• High number of annual visits – c.360,000 p.a. – suggesting hyper-local audience</li> <li>• Large number of IT uses (almost 60,000) – suggesting frequent visits and solid user base (c.14,000 members)</li> <li>• High student use of research rooms and study area</li> <li>• Potential for new facility to increase usage by 20-25% i.e. additional 72,000-90,000 p.a. with the right facility mix and spaces</li> <li>• Demographic in often hard-to-reach groups; very different user profile to Museum and Gallery</li> <li>• Creates 'safe' environment – high access value for visitors – much improved 'front-door' facility</li> </ul>	<ul style="list-style-type: none"> <li>• New centrally located Library to modern standards</li> <li>• Multi-purpose flexible space for education, storytelling/performance, and book lending.</li> <li>• Children's Library/reading area</li> <li>• Research space, including digital/computer terminal access</li> <li>• Exhibition area</li> <li>• Cafe (preferred; could be shared)</li> <li>• Minimum: Storage - primarily books, also display cases, staging etc.</li> <li>• Optimum: storage for Home delivery operation - this also requires vehicle access to a distribution point</li> <li>• Optimum: offices for local team</li> <li>• Potential for facility combining/sharing</li> <li>• Shared storage solution preferred on-site</li> <li>• Front of house facilities/reception for the archive service with main archive being housed off site.</li> </ul>
Museum	<ul style="list-style-type: none"> <li>• Currently, the majority of Museum visits come from within a 20-minute drive-time, therefore, a very local audience</li> <li>• 26,000 visits p.a. to Tolson accounts for just 18% of all Museum visits in Kirklees</li> <li>• A centrally-located Museum within a location offering a range of cultural offers should have greater attractiveness – increasing to 30-minute drivetime alone could generate c.57,000 visits p.a.</li> <li>• Large socio-economic gap in visitors (24% between upper and lower) and ethnic diversity (5% between white and BAME)</li> </ul>	<ul style="list-style-type: none"> <li>• New centrally located facility to modern standards</li> <li>• Shared storage solution preferred on-site</li> <li>• Minimum: Three exhibition areas that allow permanent, semi-permanent and touring/temporary exhibitions- areas should allow for display of large-scale items, such as weaving looms and vehicles</li> <li>• Optimum: an additional 2-3 smaller flexible exhibition areas, potentially to be co-programmed with Library and/or Gallery or even the Venue's Hall 2</li> <li>• Minimum: on-site storage for smaller number of artefacts, including area for set-up and take-</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<ul style="list-style-type: none"> <li>• Current collection's artefacts of significance are often large/industrial</li> <li>• Solution for Tolson could create complementary heritage offer</li> </ul>	<ul style="list-style-type: none"> <li>• down of exhibitions; also exhibition cases</li> <li>• Teaching and education spaces (can be shared)</li> <li>• Technical workshop: for repair, framing, etc</li> <li>• Café</li> <li>• Optimum: Offices</li> <li>• Informal pop-up performance</li> </ul>
Gallery	<ul style="list-style-type: none"> <li>• Currently, the majority of Gallery visits come from within a 20-minute drive-time, therefore, a very local audience. Our visitor projection sees a broader demographic and geographic potential informed by regional and national trends</li> <li>• Current Gallery attracts 15,000 visits p.a. – a modest amount for a central location, reflecting a) low-profile/difficult to find within Library building, and b) limited space for large touring exhibitions</li> <li>• A new facility would have greater attractiveness – increasing to 30-minute drivetime alone could generate c.32,000 visits p.a.</li> <li>• Painting's collection currently under-exploited (value of collection is £50m) - needs permanent display area and secure storage nearby.</li> <li>• Galleries can be stand-alone exhibition facility servicing the needs of Museum, Library and conference markets, or integrated within each</li> <li>• Visitor demographic/challenges similar to Museums</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible exhibition spaces to accommodate a) Items from permanent collection, b) loaned items, c) touring exhibition/s, d) community/University exhibitions - these spaces can be configured in different size combinations depending on nature of exhibitions at any one time</li> <li>• Optimum: sufficiently large exhibition space to accommodate large scale works on loan</li> <li>• Storage: secure and environmentally controlled area that can accommodate entire civic collection; display cases; holding area for exhibition take-down and set-up</li> <li>• Technical workshop: repair, framing, etc.</li> <li>• Pop-up performance area</li> <li>• Optimum: offices</li> <li>• Optimum: screen room</li> <li>• Teaching/education spaces (can be shared)</li> <li>• Shared storage solution preferred on-site</li> </ul>
Food Hall	<ul style="list-style-type: none"> <li>• A well-built Food Hall can be a major feature of a real estate project. With an exciting selection of food from around the world, a good Food Hall has a feeling of authenticity that pulls in daytime and evening diners.</li> <li>• The Food Hall can provide an interface with the other cultural</li> </ul>	<ul style="list-style-type: none"> <li>• A footprint size of 1,500 sqm (net) with a gross assumed area of 2,000sqm</li> <li>• A plant zone to serve the area with air changes and incoming services and a floor slab clear of obstruction and ready for finishes to be applied</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<p>uses which in turn increase the footfall to the Food Hall itself.</p> <ul style="list-style-type: none"> <li>• Food Halls showcase local identity, and also serve nearby office and residential communities and promote local industries and small businesses.</li> <li>• Food Halls have an offer that suits the convenience lifestyle and has the degree of flexibility needed for today's consumer.</li> <li>• Customers like that they don't need to pre-book or pay a deposit; the ability for different members of their party to choose their own dishes, not bound by what the others want; and they like the "artisan" food, cooked in front of them from real ingredients.</li> </ul>	<ul style="list-style-type: none"> <li>• A connection to external areas to provide outside seating and dining space</li> <li>• Potential to provide F&amp;B provision to support the other cultural uses</li> <li>• Can provide the 'glue' to link other uses in the Cultural Heart</li> </ul>
Car Park	<ul style="list-style-type: none"> <li>• The Census data indicates that over a third of households in Huddersfield do not have access to a car. This is greater than the proportion for Kirklees (26%) as a whole.</li> <li>• In Huddersfield town centre, the total number of car parking spaces for public use (excluding dedicated disabled user parking) is just under 5,500. The Council owns and operates 51% of these spaces, and the private sector 49%. Off-street car parks provide 85% of the spaces, and on-street 15% in Huddersfield.</li> <li>• In Huddersfield, the average weekday peak occupancy was between 12:00 and 13:00 at 70%. The average length of stay across Huddersfield was just under three hours.</li> <li>• The university currently operates 686 car parking spaces for staff and visitor use, across 16 sites on and off campus. Most spaces are for staff use and only those with permits (priced at £740 per annum) are allowed to park on campus,</li> </ul>	<ul style="list-style-type: none"> <li>• 350 space MSCP</li> <li>• Electric Vehicle charging points to be provided</li> <li>• MSCP at the south of the site</li> <li>• Potential for car park to be below other uses such as the Venue with the appropriate security measures being put in place including increased slab dimensions, columns strengthening, blast walls and restricted parking on events under the Venue</li> <li>• Sustainable design with alternative legacy use</li> <li>• Potential to utilise other parking locations near town centre (University, Sainsburys, Kingsgate Stadium) for larger events</li> </ul>

Facility	Key findings of market assessment	Facilities required
	<p>with entry restricted by barriers. There is a waiting list of approximately 200 for staff permits.</p>	
Urban Park	<ul style="list-style-type: none"> <li>• Providing an Urban Park gives an opportunity to not only enhance the public realm and provide a quality space but to also create connections and linkages to other parts of the town.</li> <li>• Currently, the ring road causes a disconnect between the town centre and the University of Huddersfield, exacerbated by the service tunnels and blanket wall structure of the Piazza to Queens Street. With the development of an Urban Park there is an opportunity to draw the university into the town centre as well as being an improved space for the public and visitors to engage with.</li> <li>• Opportunity to incorporate an outdoor event space as part of the Urban Park and improved crossing points (from (Kirklees Council Highways)</li> <li>• The overall ambition for the Urban Park is to create enhanced public realm and green spaces within a flexible, multi-functional space that complements the existing and new cultural uses and brings people into the new cultural heart.</li> <li>• Significant contribution towards health and wellbeing objectives, as well as issues of urban sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Outdoor space to support the core facilities, enhanced public realm (subject to wider site layout/ opportunities</li> <li>• Event space to support the regular national and international festivals held in Kirklees</li> <li>• Capacity to reflect the design parameters but to be in excess of 2,500- 3,000</li> <li>• Supporting infrastructure e.g. power and water, to be built into the design of the space</li> <li>• Potential water feature for environmental enhancement to be confirmed at next stage of scheme development</li> </ul>

### Scope and service requirements

2.93 The scope of the overall scheme derived from the market assessment is to redevelop and regenerate the 7.8 acre site in Huddersfield Town Centre providing a range of new facilities to deliver an improved cultural offer and service for Kirklees. The core new facilities identified are:

- Multi-purpose event/entertainment/conferencing Venue
- Museum



- Art Gallery
- Library and front-of-house Archive Service
- Food Hall
- Urban Park and outdoor events space
- 350 capacity multi-storey car park
- Link to the University.

In addition:

- Piazza will be demolished
- Potential additional secondary spaces including hotel, restaurants and bars, in adjacent streets.

#### Main benefits

2.94 The anticipated project benefits and risks are set out below. Many of the project benefits are outlined in the objectives (outlined earlier) and, generally, these can be considered as having social impact, economic impact, and cultural impact. Table 2.26 overleaf sets out the anticipated financial and non-financial benefits of the project.

*Table 2.26 Project benefits*

Description
1. Increased number of visitors to Huddersfield
2. Increased visitor stay and spend in Huddersfield
3. Increased level of usage of cultural facilities by residents
4. Higher national and regional profile for the town
5. Additional economic Gross Value Added (GVA) to Kirklees
6. Generate new FT and PT jobs
7. Catalyst for further private sector investment in town centre (in retail, leisure and accommodation sectors)
8. To support the delivery of the Huddersfield Blueprint
9. Greatly enhanced community facilities
10. Protecting key cultural assets and cultural benefit
11. Enhanced green amenity in the town centre
12. Increased sustainability of facilities
13. Significant impact on social value of city centre offer
14. Improved ancillary facilities

2.95 In the short-term, it is recognised that the impact of COVID-19/Ukraine War may create additional risks and potential opportunities that will need to be monitored and managed. For example, it will be necessary to regularly monitor the impact upon the construction sector in West Yorkshire and any resulting impacts on capacity and pricing and the commercial issues that may be facing third party organisations (e.g. tenants) and their capacity/appetite to rent or lease space.

- 2.96 COVID-19 may also present opportunities for the project, as it is a key strategic funding/ investment opportunity capable of immediate progression (whereas some other projects may stall), and therefore have an even stronger case for public benefit. Further, it is capable of stimulating additional growth on the northern area of the site (Piazza), or in extending the green footprint of the Urban Park to cover this area.

#### Main risks

- 2.97 The principal risks associated with the project are outlined in detail in the [redacted] Risk Register [redacted] and can broadly be categorised as financial, legal/policy [redacted], sustainability, cost and time over-runs, and commercial viability. These issues are summarised in the table below and outlined in detail, with mitigating steps, in Section 6:

*Table 2.27 Project Risks*

Summary of Risk
<b><i>With Very Serious Implications</i></b>
[redacted]
Cost of programme exceeds budget and additional funding not available
Failure to obtain planning permission and/or Listed Building consent
Failure to procure operators for the facilities
Significant programme overrun
Cost of operating exceeds the revenue budgets
<b><i>With Serious Implications</i></b>
Highways gaining wider approval for essential work
Listed building consents
Ground conditions and contamination
Existing structures (including retaining walls, buildings, service tunnels)
Inflation
Change in brief
Site logistics
Interface with other town centre projects
Additional scope requirements due to insurance conditions
Additional statutory requirements
Contractor market

- 2.98 The approach to risk management is outlined in detail in Section 6 where these risks are analysed.

#### Constraints

- 2.99 The key project constraints identified by the project team are as follows:
- Structural limitations of the listed buildings (Market Hall; Library)
  - Listed building status - the Library and art Gallery, built in 1937, Grade II listed; Queensgate Market, constructed 1968-70, Grade II listed; and part of The Piazza, built in 1970-74, listed as part of the Queensgate Market envelope

[REDACTED]

- Potential requirements of 3rd party operators
- Service delivery access
- Landscaping/Urban Park limited by nature of topography
- Complexity of delivering several new/refurbished buildings in parallel
- Construction budget available
- Programme – working to an accelerated schedule to achieve the benefits at the earliest possible date.
- Planning requirements

[REDACTED]

- Social value requirements
- Operational costs

[REDACTED]

[REDACTED]

- Adjoining owners – The site contains a number of directly adjoining owners as shown on the Site Plan. The proximity of these owners presents a physical constraint, which will require consideration at all times
- Sustainability - The programme must meet the requirements of the Kirklees Council climate emergency declaration and carbon neutral vision
- Legal constraints may include:

[REDACTED]

- Statutory
  - Planning and listed building consent approvals

[REDACTED]

- Usual statutory consultees.

#### Dependencies

2.100 The key project dependencies identified by the project team are as follows:

- Achieving planning permission and listed building consent
- Funding
- Securing third party end-users/operators
- Effective programme delivery



- Future secondary or commercial uses will depend upon the initial development of the cultural facilities to prove the increased footfall before they are likely to be commercially deliverable.

## 3. The Economic Case

### Introduction

- 3.1 This section examines the economic case for the redevelopment of key cultural services and leisure facilities within Kirklees. The appraisal has been undertaken in line with HMT Green Book and recent guidance from Arts Council England (ACE) for the Museum sector<sup>2</sup>.
- 3.2 The strategic case set out that the redevelopment of facilities is central to the regeneration of the town and the achievement of the overall vision for cultural service provision.
- 3.3 This economic case provides an assessment of the net additional Gross Value added (GVA) and social values generated by the investment options. The benefit streams are examined within a Cost-Benefit Analysis (CBA) framework.
- 3.4 The impact analysis is focused on the local authority district and the core impact metrics reported on are:
  - **Gross value added:** this is a key measure of economic wellbeing
  - **Social value:** attributes a value to participation in cultural activity ('use value') and the value attributed to the provision of cultural services for residents ('non use' value)
  - **Employment:** the safeguarding and creation of jobs measured on a FTE basis (both municipal and private sector jobs).
- 3.5 In this economic assessment economic and social values are combined to provide an estimate of the total economic value of the scheme (TEV).

### *SOC short-listed intervention options*

- 3.6 The intervention options have been developed through a process of examining the future development options against the objectives set out by the Programme Board. This led to the identification of a scheme and mix of uses that form the basis of the Preferred Way Forward (PWF).
- 3.7 The short list to be examined include an assessment of the following options:
  - **Option 1 Do Nothing:** Business As Usual (BAU) involves an investment of £22m to maintain the facilities in their current condition. This includes minimum works to the listed Library building which also houses the current Gallery and Queensgate market.

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<sup>2</sup> Arts Council England 'Guidance Note: How to quantify the public benefit of your Museum using Economic Value Estimates', 2021



- **Option 2 Do Minimum:** A realistic “Do Minimum” requires £162m based on the core requirements for the project includes refurbishing the current Library building the construction of a new Venue and a new Gallery located in part in the refurbished Queensgate Market alongside the Food Hall with the Museum occupying a refurbished retail unit in the Plaza and a new car park.



- **Option 3 Preferred Way Forward:** requires £210m, plus £10m of fixtures and fittings (FF&E) and involves the construction of a new Venue and Food Hall. There will be a new Library partly integrated into the Queensgate market combined with a new separate Gallery. The current Library will be refurbished to incorporate a new Museum.



### ***Do Minimum Assumptions***

#### **Venue**

- 3.8 As the Venue will be smaller without the additional hall for secondary events and without being capable of holding the very large combined 2,200 events there will be less operator interest in the Venue. The operating performance will be reduced and there will be an overall drop in attendance.
- 3.9 As a result, the Venue will probably only just breakeven at an operating level. The reduced Venue will have less commercial interest but may still be an attractive proposition to operators, however, they are unlikely to be willing to take a full lease with an annual fixed rent. Any rent would probably be variable.
- 3.10 The assumption would be that no rent is assumed in the business plan for the Venue.
- 3.11 Overall Attendance would fall to 90,000 by c25%.
- 3.12 There are other considerations, such as planning, that may impact less well on the Do Minimum option more generally.

#### **Food Hall**

- 3.13 The Do Minimum option will make little material change to the size or rental income of the Food Hall. However, it will have far less of a presence in the town/to the Cultural Heart with the venue built directly to its north and no/little change on Peel Street. This is likely to affect its attractiveness to customers and affect its footfall and success.
- 3.14 No change in attendees at the Food Hall.

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### Library

- 3.15 The Library will be retained in its current location but refurbished, however, it will remain constrained by the inappropriate layout and access of the existing spaces. As in the preferred option it is assumed that the operating costs of the Library will remain the same as now. It is assumed there is no change in the operating costs of the Library.
- 3.16 As the Library would be in the existing building and not in a brand new building overall attendances would be less expected to be c15% less or 68,000 – Revised attendance 360,000.

### Museum and Gallery

- 3.17 Under the Do Minimum option there is going to be a new Gallery located in part in the refurbished Queensgate market. The new Museum would be created in some of the existing retail units. As the new Museum and Gallery will be essentially of the same size and scale as in the preferred option the operating costs could be expected to be the same under both options. It is assumed that the converted retail units will compromise operations and add friction and cost to operating the museum and gallery. Get in/out will be more complicated, existing column grids will limit layouts..
- 3.18 It is assumed that the operating costs will be the same under the Do Minimum option including the preopening costs.
- 3.19 As with the Library it would be expected that there would be a reduction in visitor when compared to the bespoke option in the preferred way. It assumed that visitors would be reduced by 20% or 50,000 to 200,000.

### Museum and Gallery – Retail and F&B

- 3.20 There would still be the need for a food offering in the new Museum, but the new Gallery is next to the Food Hall and it is doubtful that any food provision would be needed. As a result we would expect the operating income from the food and beverage to be reduced by c70% as it would be of a smaller scale and only servicing the Museum customers. Additionally, there would be enhanced competition from the remaining retail units in this area who offer food and beverage.
- 3.21 Unique attendances would also expect to be reduced by c70% to 6,000 per year.

### Urban Park Outdoor Space

- 3.22 In the Do Minimum option there is no outdoor performance space so all income and attendances for this element of the scheme are assumed to be zero.

### Car Parking

- 3.23 In the Do Minimum option the car park is reduced in size from 350 spaces to 300 spaces, this is a 50 space reduction equivalent of 14.2%. It is assumed that net income from the Car park is reduced by this percentage.



### Retail Units

- 3.24 In the Do Minimum some of the existing retail units would remain and would be available to be let to commercial tenants. [REDACTED]

### Site Wide Management

- 3.25 The Do Minimum scheme reduced the outdoor space particularly the landscaped space and there are a number of other elements of the scheme that change including not having a water feature. As a result some of the current estimated cost would be expected to be saved. We have assumed this could be up to 10% of the current costs.
- 3.26 In addition, as there would remain some retail units in the scheme, it could be expected that some of the site management costs could be recharged to the commercial tenants by way of a service charge. It is assumed that 20% of the revised site wide management costs could be recharged to the tenants.

### *Preferred Way Forward Assumptions*

- 3.27 The preferred way forward option elements include:
- The **Gallery** has the potential to exhibit national quality exhibits in a high quality built environment as well as take national touring exhibits. This will attract visitors from beyond the town, from the region and nationally
  - The **Library** is the largest footfall driver and as such the greatest number of local residents will have the best environment to use the Library services
  - The **Venue** will be a new build facility. It will be multi use for entertainment, conferencing, exhibitions and events. It will likely dovetail its activities with the other Gallery and exhibition spaces proposed for the Library, Museum and the Gallery
  - The **Museum** will be created in the town centre in the refurbished Library building, partly taking exhibits from the Tolson Museum on the outskirts and partly exhibiting new content owned by the Council and temporary touring exhibits. Being able to tell the story of Huddersfield in Huddersfield was well-received in the consultations and is likely to increase its attractiveness
  - The **Food Hall** will be a refurbishment of the existing market hall and provide the 'glue' to bring together all of the other features and support the F&B requirements in each of the individual spaces. It will open out into the Urban Park which is maximised in this option
  - The **Urban Park** will encourage the permeability of the scheme providing the easy link with the university and opening out the Laurance Batley Theatre and the Town Hall so both Venues can be properly integrated into the Cultural Heart scheme
  - A new car park will be integrated alongside the new Venue.
- 3.28 The remainder of this section provides the results of the economic appraisal of the short-listed intervention options.

### Option costs

- 3.29 Table 3.1 sets out the option capital and operating costs. The intervention options involve gross capital investment of between £22m and £210m. Over the Do Nothing option (Option 1) the incremental total capital investment is between £140m and £188m (excluding fit out costs).

**Table 3.1 Option public sector cost (£m, undiscounted)**

Options/Cost components (£m)	Option 1 Do Nothing	Option 2 Do Minimum	Option 3 PWF
Construction	13.3	102.4	130.5
S106/278	0.0	5.0	5.0
Sustainability	0.7	5.4	6.8
Current Tenants Compensation	0.0	0.5	1.0
Venue FF&E	0.0	1.3	2.0
Food Hall FF&E Contribution	0.0	1.0	1.0
Temporary Accommodation	0.0	1.0	1.0
Marketing and Consultation	0.0	0.8	0.8
Professional Fees	2.4	19.2	29.8
Contingency/ Risk	1.6	12.6	15.9
Building Inflation	4.0	12.9	16.3
<b>Total investment</b>	<b>21.9</b>	<b>161.9</b>	<b>210.0</b>
Operating cost (to 2035/36 undiscounted)	15.8	47.3	50.1
<b>Net investment</b>	<b>37.6</b>	<b>209.2</b>	<b>260.0</b>

- 3.30 The economic appraisal has assumed that the option costs represent the maximum budget envelope (with appropriate contingency and inflation allowances set). The risk assessment considers the impact of an Optimism Bias (OB) factor of 12% (assuming 50% mitigation for standard buildings).
- 3.31 Applying this factor to the capital building cost provides gross investment levels of between £24 million and £235 million. Table 3.2 below outlines the OB adjusted investment cost.

**Table 3.2 OB adjusted option public sector cost (£m, undiscounted)**

Options/Cost	Option 1 Do Nothing	Option 2 Do Minimum	Option 3 PWF
Total investment	21.9	161.9	210.0
OB capital development budget at 12%	2.6	19.4	25.2
<b>Total capital investment</b>	<b>24.5</b>	<b>181.3</b>	<b>235.2</b>

- 3.32 Fit-out costs for the public facilities are estimated at £8m under Option 2 and £10m under Option 3.

### Option outputs

- 3.33 Table 3.3 summarises the scale of the proposed uses across the redevelopment options.

- 3.34 Options 2 and 3 deliver significant levels of redevelopment of the core facilities with Option 1 providing a minimum level of intervention.

*Table 3.3 Option scale*

Scheme outputs	Option 1 Do Nothing	Option 2 Do Minimum	Option 3 PWF
<b>Outputs</b>			
Throughput of facility users	330,203	706,000	1,021,560
Direct employment (FTEs)	23	138	176

- 3.35 The business plans for each development option indicate that direct on-site employment (FTEs) across the options ranges from 138 under Option 2 and 176 under Options 3. The Reference Case level of employment is estimated at 23.
- 3.36 The redevelopment options are expected to provide a range of economic and social benefits. The investment protects and develops key cultural assets (Museum, Galley and Library services) for visitors and residents alike with related visitor economy benefits from attracting events and conferences.
- 3.37 Table 3.4 summarises the user profile and the number of attendances generated across the options three years after investment. The gross number of attendances by visitors and local residents ranges from 330,000 under the Do Nothing option to 706,000 under the Do Minimum Option 2 and 1,021,000 under the maximum intervention option. These numbers represent both day visits (including residents) and overnight stay visitors (note: the term 'museum and gallery' is used in the table as a joint business case has been developed for these facilities).

**Table 3.4: User profile (000s, annually)**

Profile of visits by option			
Options profile market segments	Option 1 Do Nothing	Option 2 Do Minimum	Option 3 PWF
<i>Day visits</i>			
Venue	0	73,125	86,234
Food Hall	15,000	50,000	90,000
M&G F&B	0	6,000	20,580
Museum and Gallery	13,683	179,000	224,466
Library	300,000	360,000	455,000
Outdoor Event Space	0	0	57,853
<b>Total day visits</b>	<b>328,683</b>	<b>668,125</b>	<b>934,133</b>
<i>Overnight stays</i>			
Venue	0	16,875	34,796
Food Hall	0	0	0
M&G F&B	0	0	0
Museum and Gallery	1,520	21,000	26,334
Library	0	0	0
Outdoor Event Space	0	0	26,297
<b>Total overnight</b>	<b>1,520</b>	<b>37,875</b>	<b>87,427</b>
<b>Total visitor days</b>	<b>330,203</b>	<b>706,000</b>	<b>1,021,560</b>

- 3.38 The assessment of elements with the scheme provides an estimate of the potential to grow the number of visitors to Kirklees (local) from the sub-region (West Yorkshire and parts of North East Greater Manchester) and outside the sub region (rest of the UK an International) <sup>3</sup>.
- 3.39 Option 1 the Do Nothing illustrates the baseline level of visits and use of cultural facilities. Options 2 and 3 grow the numbers of visits significantly compared to the Do Nothing.
- 3.40 Table 3.5 below highlights indicative profile of attendances providing the number of annual throughput and their expected origin (using year 3 of the business planning period as a mature year).

<sup>3</sup> The total overnight stays estimate of 87,400 is a measure of bed nights demanded across the Kirklees accommodation stock. It has been assumed that each visitor generates a single night stay, which allows for a mix of accommodation (serviced, Airbnb or VFR) and length of visits to the area. In terms of rooms demanded using an occupancy rate of 1.75 per room the demand estimate equates to 49,700 room nights. If this demand were met by the serviced hotel sector it would support one new 100-bed hotel close to the Cultural Heart with spillover across other Kirklees hotels increasing occupancy.

**Table 3.5: Visitor profile (000s, annually)**

Profile of visits by origin	Local	Sub region	Out of SR	Total
<b>Option 1 Reference Case</b>				
Venue	0	0	0	0
Market Hall	11,250	3,000	750	15,000
M&G F&B	0	0	0	0
Tolson Museum and Gallery	12,162	3,041	0	15,203
Library	225,000	60,000	15,000	300,000
Outdoor Event Space	0	0	0	0
	<b>248,412</b>	<b>66,041</b>	<b>15,750</b>	<b>330,203</b>
<b>Percentage share</b>	<b>75%</b>	<b>20%</b>	<b>5%</b>	<b>100%</b>
<b>Option 2 Do Minimum</b>				
Venue	58,500	27,000	4,500	90,000
Food Hall	37,500	10,000	2,500	50,000
M&G F&B	3,000	1,500	1,500	6,000
Museum and Gallery	60,000	120,000	20,000	200,000
Library	270,000	72,000	18,000	360,000
Outdoor Event Space	0	0	0	0
<b>Total</b>	<b>429,000</b>	<b>230,500</b>	<b>46,500</b>	<b>706,000</b>
<b>Percentage share</b>	<b>61%</b>	<b>33%</b>	<b>7%</b>	<b>100%</b>
<b>Option 3 Preferred Way Forward</b>				
Venue	60,515	42,361	18,155	121,030
Food Hall	67,500	18,000	4,500	90,000
M&G F&B	10,290	5,145	5,145	20,580
Museum and Gallery	75,240	150,480	25,080	250,800
Library	341,250	91,000	22,750	455,000
Outdoor Event Space	37,868	33,660	12,623	84,150
<b>Total</b>	<b>592,663</b>	<b>340,646</b>	<b>88,252</b>	<b>1,021,560</b>
<b>Percentage share</b>	<b>58%</b>	<b>33%</b>	<b>9%</b>	<b>100%</b>

3.41 The gross expenditure generated by the scheme is adjusted to provide an estimate of the net additional impact at the Kirklees local area level<sup>4</sup>.

<sup>4</sup> Notional expenditure assumptions have been set for off-site day spend drawing on Visit Britain data for day and overnight spend (£7 for library users and between £10 and £20 for others venue customers), overnight spend (between £50 and £70 across the options) combined with the on-site expenditure from the Business Plans. The assumption is that 75% of out of region and 50% of sub-region visitors stay overnight (for the venue and outdoor attractions). For the M&G visitors from the sub-region 5% are assumed to plan an overnight stay as part of their experience. Only 1 night is attributed to an overnight stay.

3.42 The net adjustment is based on the following adjustments and assumptions:

- **Deadweight:** is based on the options safeguarding cultural service delivery although to differing level of quality. That is without investment core cultural services would not be maintained to the service level required. Deadweight is applied to adjust for spend associated with library and museum visits primarily related to off-site spend.

**Leakage:** labour market leakage at the local authority area for the project is set at 20%. This is based on the potential for a proportion of jobs being met through commuting

- **Displacement:** a low level of displacement has been set at 25% as defined in DLUHC appraisal guidance
- **Multiplier impacts:** a Type II (indirect & induced) jobs multiplier of 1.25 at the local authority area.

3.43 Table 3.6 below summarises the net additional expenditure, employment and Gross Value Added (GVA)<sup>5</sup>.

*Table 3.6: Net Additional impact (annual, undiscounted)*

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

3.44 The table shows that Option 2 and 3 provide a higher net economic impact compared to Option 1 – with a net GVA annual impact of £10m and net additional employment of 298 (including multipliers) under Option 3.

3.45 The 10-year (undiscounted) cumulative GVA impact is estimated between £17m and £102m across the Do Nothing and intervention options.

3.46 The above is central case best estimate of the potential impact and relative contribution of the options. The scenario analysis section looks at the impact of varying key assumptions underpinning the analysis.

<sup>5</sup> Based on marginal expenditure required to support 1 job in the tourism sector of £63,113 (Deloitte estimate for Visit Britain updated to 2022 for inflation) and a GVA/Turnover revenue ratio of 55%.

***Wider impacts/Influence on induced development***

3.47 The redevelopment under the Preferred Way Forward (Option 3) is expected to increase confidence in investment adjacent opportunity sites and wider development opportunities in Huddersfield. Improved cultural and leisure facilities are also important in attracting students to the town which is an important generator of economic value. There are currently 20,000 students at the University of Huddersfield.

***CBA - Net present value social cost/net present value social benefit***

3.48 The Cost Benefit Analysis (CBA) is based on the following assumptions and parameters:

- A 3.5% discount rate over a 30-year time period with four years for planning and construction, with operational activity starting in 2026/27
- A capital expenditure profile of 5%, 15%, 25%, 50% and 5% over the period 2022/23 to 2026/7 and a residual value based on a 40-year asset life
- Option costs incorporate net operating costs as outlined in the financial operating model
- Benefit stream is based on net additional GVA generated by the options from the opening of the facilities in 2026 (after taking account of deadweight, leakage and displacement) over the appraisal period (this approach has been adopted given the scale and long term nature of the capital investment)
- A Museum, Gallery and Library social value has been attributed to the cultural facilities. This is set at £6.41 per visit and £3.38 for non-users (based on adopting analysis for regional Museums)<sup>6</sup>
- A well-being value has been attributed to local use of the outdoor cultural and venue events under Options 2 and 3. This is set at £55 per visit with a deduction of 25% to allow for displacement (based on adopting analysis undertaken for DCMS and updated for inflation)<sup>7</sup>
- An amenity value is attributed to Options 2 and 3 based on the provision of enhanced public realm. A value of £123,000 per hectare is adopted (based on MHCLG guidance)
- A distributional benefit value of 1.23 (for Kirklees based HM Treasury Green Book equalised disposable household income and welfare weights).

3.49 Table 3.7 overleaf shows the Net Present Values (NPVs) and Benefit to Cost Ratios (BCRs) for each of the options.

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<sup>6</sup> How to Quantity the Public Benefit of your Museum using Economic Value estimates, ACE Guidance, 2020. The household catchment area used for non-use valuation estimate is Kirklees local authority area. A reduction by 25% in use and non-use value is incorporated to reflect the relative quality of library and museum service level provision under Options 1.

<sup>7</sup> Quantifying and Valuing the Impact of Culture and Sport, DCMS, April 2014. The values derived in this study are measures of compensating surplus, which is the technical definition of monetary value used in CBA and the Green Book. These values are defined as in addition to any paid use such as entrance fees.

- 3.50 A BCR is required to be above 1:1. HMT guidance is that between 1-1.5 represents 'low' VFM, 1.5 to 'medium' VFM and above 2:1 'high' VFM. Where there are important wider benefits or where the benefits are hard to monetise then BCRs may fall to the lower end of the spectrum.
- 3.51 The BCR are similar across options 1 and 3 at circa 1:4:1 to 1:5:1 with Option 2 at 1.2:1. Option 3 has the highest net Present Value Benefit (PVB) at £118m, the highest BCR ratio and the highest level of absolute Net Present Social Benefit (NPSB) at £366m. Additionally, the ongoing physical deterioration of existing buildings in Option 1 (Do Nothing) will lead to a downward spiral of increasing maintenance costs and gradual diminution in the quality of environment that will, in turn, impact the attractiveness of the buildings for both users and existing and potential leaseholders.

*Table 3.7 Option BCR (3.5% discount rate)*

BCR	Option 1 DN	Option 2 Do Minimum	Option 3 PWF
PVC (£m)	£42.2	£203.6	£247.2
PVB (£m)	£61.1	£237.5	£365.4
NPV (£m)	£18.9	£33.9	£118.2
Benefit Cost Ratio (BCR)	1.4	1.2	1.5

*Sensitivity analysis*

- 3.52 A number of alternative scenarios have also been modelled to test the sensitivity of the BCR results to a change in key variables. The key variables adjusted were as follows:
- Sensitivity 1 – 12% increase in costs to reflect Optimism Bias on capital development budget.
  - Sensitivity 2 – 10% reduction in benefits
  - Sensitivity 3 – 12% increase in costs and 10% reduction in benefits
  - Sensitivity 4 – the social value attributed to the M&G service is 25% higher than the ACE regional museum service benchmark adopted (to show the impact on the BCR of users' willingness to pay more for the level of investment proposed under Option 2 and 3). This is not applicable to Option 1 which does not deliver new services.
  - Sensitivity 5 – switching value for costs is the percentage increase in costs resulting in the BCR falling to 1
  - Sensitivity 6 – switching value for benefits is the percentage decrease in benefits resulting in the BCR falling to 1.
- 3.53 The results of the scenario testing are set out in Table 3.8 overleaf.



**Table 3.8 Scenario analysis impact on BCR**

Impact scenarios	Option 1 DN	Option 2	Option 3
Central case	1.45:1	1.17:1	1.48:1
Sensitivity 1	1.29:1	1.04:1	1.32:1
Sensitivity 2	1.30:1	1.05:1	1.33:1
Sensitivity 3	1.16:1	0.94:1	1.19:1
Sensitivity 4	-	1.27:1	1.58:1
Sensitivity 5	+45%	+17%	+48%
Sensitivity 6	-31%	-14%	-33%

- 3.54 The results show that Option 3 maintains a BCR of greater than one across the scenarios tested, with Option 2 being sensitive to combined cost increases and benefit reduction.

**Appraisal Summary Table**

- 3.55 Table 3.9 provides a summary of the intervention options and their performance based on the quantifiable and non-quantifiable analysis.
- 3.56 The summary table, Table 3.9, indicates that overall Option 3 is preferred. This option scores highest as it generates the highest BCR and maximises NPSB. Whilst Option 1 has a similar BCR to Option 3, the absolute value of Public Benefits is higher under Option 3.

**Table 3.9: Appraisal summary table**

AST - Costs and benefits over 30 years	Option 1 DN	Option 2 Do Minimum	Option 3 PWF
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%

- 3.57 The Preferred Way Forward (Option 3) maximises the assets that are available, in particular the heritage buildings, a strong town centre profile and Urban Park, creates a platform for improved services and in addition provides investment opportunities in Huddersfield.
- 3.58 The level of the BCRs (within the range of 1.2-1.5) in part reflects the strategic nature of the scheme options where all the benefits are not fully captured in monetary terms and the difficulty in valuing cultural and public service investments. The potential induced place-making development impacts should be considered as part of the finalisation of the business case. Included in this is the value of leisure and cultural facilities in underpinning the education sector as well as the tourism economy

- The assessment shows that the options are sensitive to the scheme cost it is important to value engineer scheme elements ensuring appropriate investment levels for core service delivery
- Examining the elements of the scheme (in particular outdoor events, the new Venue, Gallery and Museum) and their ability to attract out of area visitors and generate additional overnight stays. This will be a key driver of local economic impact alongside providing new facilities to enhance footfall in the town and retain cultural spend locally.

3.59 The preparation of a scheme Benefit Realisation Plan (BRP) will be a critical part of ensuring the social, economic and catalytic effects of the scheme are achieved.

3.60 In summary:

Option 1

Does not deliver against the strategic objectives set for the project but would allow continuation of service in the absence of an agreed way forward, limited regeneration benefits. Overtime it would result in poorer cultural service levels and undermine the wider regeneration strategy for the Borough.

Option 2

Provides significant investment in new assets and improves service quality, although the investment does not produce economic benefits/use levels commensurate with costs - annual operational costs are similar to the preferred way forward. Overall, the least efficient of the options considered (BCR lowest but above 1). If the PWF were deemed unaffordable, then this option's mix of venue throughput and operational costs would need to be revisited.

Option 3 PWF

The option requires significantly more investment required but is projected to increase the volume of leisure and cultural activity (through the new venue, M&G and outdoor space). This drives incremental benefits and maximizes the public value generated (highest NPV) with an improvement in efficiency (higher BCR than Option 2). The BCR at c1.5 is the lower end of the medium VFM category: this does suggest that capital and operational costs need to be carefully managed and delivery plans developed to maximize economic, social, and wider regeneration benefits.

## 4. The Commercial Case

### Introduction

- 4.1 This section provides an overview of the current assumptions regarding the most effective way to manage the procurement of the Preferred Option.

### Procurement Strategy and route

- 4.2 All appointments of external partners were initially taken until the OBC stage only, thereafter the Council agreed to review the requirements for the development process and consider the optimum way to proceed reflecting the objectives of the project and the best way to achieve/realise the benefits of the scheme.
- 4.3 The Council appointed Turner & Townsend as its Strategic Development Partner (SDP) for the project, using the SCAPE (MACE) Framework. The SDP role includes that of Programme Management, Development Management, Project Management, Cost Manager, Business and Venue Planning consultant, Planning Consultant, BIM lead and information management and sustainability.
- 4.4 The SDP will manage the main procurement activities for the programme on behalf of the Council. The current assumptions relating to the key procurements, namely that of the professional team, contractor and tenants are described below.

### Professional team procurement strategy

- 4.5 The SDP is responsible for managing the procurement of professionals and specialist advisors. At this stage, these have been grouped into the following three packages:
- Package 2 – Lead Designer team – the architect/design team responsible for master-planning the Cultural Heart and achieving two key objectives: outline planning permission and full plans approval
  - Package 3 – A multidisciplinary engineer providing civil, structural, MEP, sustainability and specialist engineering services
  - Package 4 – Legal and leases to consider: legal agreements for the proposed operators and tenants of the new event space; existing and future leasing arrangements on the site.
- 4.6 Packages 2 and 3 were procured via the SBS Construction Consultancy Services framework. Package 2 services were procured under Lot 1 (Architectural Services) with package 3 services being procured under Lot 12 (Multi-Disciplinary team and Ancillary Services).
- 4.7 An initial sifting process was undertaken based on Consultant responses to a Capability Assessment. The responses were assessed by an Evaluation Panel and the outcome of the process was that a shortlist of six consultants were invited to bid for each Lot.
- 4.8 An Invitation to Bid (ITB) was issued via Kirklees Council's YORtender procurement portal on 6 August 2021. Six bids were uploaded to the procurement portal by the deadline of 9<sup>th</sup> September 2021 in respect of Lot 1. Three bids were received in respect of Lot 12.
- 4.9 The tenders were assessed using the award criteria set out in Table 4.1.

**Table 4.1 Professional Team Procurement Award Criteria**

Criteria Description	Weighting
Mandatory Criteria	Pass/ Fail
Quality	60%
Social Value	10%
Price	30%
Overall Total	100%

- 4.10 The SDP procurement lead undertook a review of the bids received to establish that they were compliant with the Invitation to Bid prior to circulation to the Evaluation Panel members.
- 4.11 The Quality Evaluation Panel members were not provided with any details of the Bidders commercial offer. Evaluation of the quality questions and the Bidder’s price submission was completed. Kirklees Council assessed the social value submissions received from Bidders.
- 4.12 Three of the Lot 1 Bidders submitted comments in respect of the proposed contract terms and conditions. These were forwarded to Kirklees Legal’s appointed lawyers, Addleshaw Goddard, to address/review and finalise.
- 4.13 Feilden Clegg Bradley Studios were appointed in October 2021 under Lot 1 and ARUP were appointed under Lot 12 at the same time. Both have been developing the masterplan since October 2021. Several of the key contractors’ contracts have been extended – the detail of this can be found in Appendix I, however, these are summarised below.

**Extensions to existing appointments**

**Strategic Development Partner (SDP)**

- 4.14 It is anticipated that the SDP appointment will be extended under the terms of the existing SCAPE Framework appointment already in place, with the SCAPE rates being maintained and applied to the required resource, consistent with the existing resource schedule. Cost allowances will also be included where the exact scope of additional specialist services, surveys and investigations are not yet known. These cost allowances will be expended when further details are known in the future and a robust change control process operated with detailed substantiation for approval purposes. The above will provide a continuity of service with no delays to the current proposed programme.

**Lead Designer (FCBS)**

- 4.15 Feilden Clegg Bradley Studios (FCBS) has been appointed under the SBS Framework for works up to and including the Outline Business Case (OBC). Their original tender included the percentage pricing of various scenarios once the procurement route was agreed. However, FCBS has informed us that they cannot adhere to these original percentages as the programme of works is complex and has been developed since the original tender. Their proposed percentage uplift on fees, supported by a resource schedule and the application of the original SCAPE day rates, have been retrospectively applied to the original tender evaluation to see if there would have been any difference in the ranking. Even with the proposed uplifted fees on the original tender submission FCBS would still have been ranked first in the overall evaluation. All fees for all the consultants for the overall development

remain in budget. It is therefore anticipated that FCBS' appointment will be extended under the SBS Framework for continuity, but consideration given as to how the increase could be mitigated in the future.

#### ***Multidisciplinary Engineer (Arup)***

- 4.16 Arup has been appointed under the SBS Framework for works up to and including the Outline Business Case (OBC). Their original tender included the percentage pricing of various scenarios once the procurement route was agreed. Arup has adhered to the original percentages that were submitted. It is therefore anticipated that Arup's appointment will be extended under the SBS Framework for continuity.

#### ***Construction contract procurement***

- 4.17 The procurement strategy for the construction works is a key element of the programme delivery phase. The approach is being developed through a series of workshops between the SDP and the Council. Two procurement workshops have taken place to date, with more scheduled. The early considerations and findings are set out below.
- 4.18 It is likely there will be a limited number of suitably qualified and experienced contractors that could deliver a programme of this scale. Therefore, the SDP will use its market knowledge to identify potential contractors capable of delivering the scheme. Early market engagement is also underway with a 'Buyer's Day' undertaken in April 2022.
- 4.19 The proposed construction approach is:
- The site delivery in two zones with the Venue and the MSCP in one zone and the rest of the site in another zone
  - A single contractor per zone on-site at any time, but potentially splitting the enabling and main works contracts. As two zones are proposed, there could be 1 or 2 contractors
  - A 2-stage restricted competitive tender process is proposed for both zones.
- 4.20 It is important for programme delivery and obtaining best value, that the process is competitive and the negotiation focussed on key project issues around cost, quality and delivery.

#### ***Tenants and Operators***

- 4.21 The procurement process for future cultural tenants and occupiers will be determined by the following parameters:
- the form of contract and scope of services sought from the market
  - applicable procurement regulations
  - level of market interest in any opportunities (and, therefore, potential level of competition and market appetite for various procurement processes)
  - maximising value for money

- industry best practice.

4.22 It should be noted that several types of procurement process will be required across the various uses across the site. This is explored further in this section in relation to the operation of the Food Hall, the Venue, and the MSCP.

#### **Service requirements and outputs**

4.23 The service requirements and outputs will be scoped in detail and will be reported on at a Final Business Case when the council are looking to enter into the major construction contractors for the scheme. These should include, the Venue, Food Hall, MSCP and the overall site management. Existing Council services are anticipated to remain in Council management

4.24 The project includes the following new components that will require operation/management or maintenance:

- Multi-Purpose Venue
- Dedicated new multi-storey car park
- Food & Beverage Hall
- Library
- Museum
- Gallery
- Urban Park with outdoor event space
- Café and retail within cultural facilities
- Overall site wide management.

4.25 Cultural Heart will have a mix of public and private management and operation. Facilities such as the Library, Museum and Gallery will be managed and operated by the public sector, either through Kirklees Borough Council or a Special Purpose Vehicle on a not-for-profit basis (potentially following a Trust model). The more commercial facilities such as the Venue, MSCP and Food Hall will be managed through private sector operators. It is possible a single private operator will take on one or more of these contracts, however, they may need to be under separate contracts (for example, the Venue operator may not want to manage Food Hall). An initial soft market testing exercise has been undertaken to test these scenarios with the operators and gauge interest in the market. This is outlined later in this section.

#### **Risk Allocation**

4.26 Table 4.2 below sets out working assumptions on risk allocation between the public and private sector. These assumptions continue to be developed with the SDP team and a full risk register has been developed which will be updated as the project progresses.

**Table 4.2 Risk apportionment**

Risk category	Potential allocation		
	Public sector	Private sector	Shared
1. Design risk			X
2. Construction and development risk			X
3. Transition and implementation risk	X		
4. Availability and performance risk			X
5. Operating risk			X
6. Variability of revenues risk			X
7. Termination risks	X		
8. Technology and obsolescence risks			X
9. Control risks			X
10. Residual value risks	X		
11. Financing risks	X		
12. Legislative risks			X
13. Other project risks			X

**Key contractual arrangements**

- 4.27 An initial view on the potential contractual arrangements for the key contracts is set out below and will be subject to further development during the FBC stage.

**Design Team**

- 4.28 As set out above, the Design Team has been procured through the SBS Framework, which comes with a standard set of contract documents. However, the Council will not use the Framework’s Service Level Agreement or Call-Off Terms and Conditions to form the Contract.
- 4.29 Instead, the Council will contract on a form of NEC4 Professional Services Contract, June 2017 (as amended in January 2019 and October 2020) with a bespoke set of Z clauses, provided to the bidders during the procurement process.

**Build contract**

- 4.30 A Design and Build contract is preferred for reasons of cost and management efficiency as well as risk transfer. The procurement strategy for the contract has been developed through the OBC stage and a draft Procurement Strategy report is provided at Appendix J. Table 4.3 overleaf provides the working assumptions for the procurement route.

**Table 4.3 Build Contract Procurement Strategy Summary**

Element	Working assumption
Procurement	<ul style="list-style-type: none"> <li>• Restricted two stage process</li> <li>• Open Market Selected Questionnaire</li> </ul>
Tender	<ul style="list-style-type: none"> <li>• 2 stage tenders with PCSA. First stage to be on OHP and quality.</li> <li>• OHP and PCSA to be fixed with lower limits</li> </ul>
Design team novation	<ul style="list-style-type: none"> <li>• Architect to be novated but further consideration required</li> <li>• Engineer to be retained for client-side services</li> </ul>
Design development stages	<ul style="list-style-type: none"> <li>• RIBA 3 for PCSA stage tender</li> <li>• RIBA 3 – 4 developed under PCSA</li> </ul>
Form of Contract	<ul style="list-style-type: none"> <li>• JCT or NEC D&amp;B</li> </ul>

**Operating contracts**

- 4.31 There are a range of facilities within the preferred option, with potentially different options for operating parties/contracts. Table 4.4 below sets out the potential options for each facility, with the most likely option highlighted in green, and a possible option in orange.

**Table 4.4 Operating contract options**

Facility	Council in-house	Trust operation	Commercial operator – lease	Commercial operator – management agreement
Museum				
Gallery				
Library				
Venue				
Food Hall				
Car Park				
Urban Park				

- 4.32 The Library, Museum and Gallery are already operated in-house by the Council, and this is expected to continue. A possible Trust operation may be considered as part of the Final Business Case due diligence process. This could be extended to all of the services in principle however the most commercial activities are best to be operated (and the risk transferred) to the private sector.
- 4.33 The archive front-of-house and storage within the Library is currently operated by the West Yorkshire Archive Service that manages the other archives in the region, and this arrangement is expected to continue.
- 4.34 It is anticipated the Urban Park could be managed by a third-party, although the Council will also explore the benefits of in-house management or as part of a wider trust model as a public asset.



- 
- 4.35 There are a range of options for the potential operation of the Venue, including in-house Council operation or outsourcing to a commercial operator on either a lease or management agreement basis.
- 4.36 A more detailed assessment of these options has been undertaken during the OBC stage, and a working assumption reached where the Venue is operated by a commercial operator, on a commercial basis to be finalised for the Final Business Case process.
- 4.37 An operator soft market testing (SMT) exercise was undertaken with established third-party commercial operators to understand their views and gauge appetite for the Cultural Heart project, and the potential operational deal between themselves and the Council. The purpose of the SMT was to understand potential interest in operating the new Venue as well as any additional elements of the scheme, including the Food Hall, MSCP and site-wide facility management. The discussion regarding the Venue were based upon the design information at that time. [REDACTED]
- 4.38 The Venue marketplace is relatively limited with only a small number of parties interested in a certain scale, type and geography of Venues. As target markets constantly change with operators the SMT threw a wide net over potential interested parties. A SMT generally expects to receive 3 to 5 positive responses back from the parties that have been approached.
- 4.39 The key themes emerging from the SMT are summarised below:
- There was positive feedback regarding the design of the Venue with the flexibility element being important. There was support for a smaller second hall, with operators providing examples of how they could commercially programme a space like that i.e. weddings, boxing, snooker, community events etc. There was acknowledgment that a range of acts would be attracted to the Venue, with potential to put on shows at all scales
- [REDACTED] There was commercial interest from several potential operators for the Venue. [REDACTED]
- Two of these operators are also interested in potentially operating the Food Hall
  - There were some concerns raised as to how the adjacent Food Hall would affect the commercial proposition of the Venue, as F&B spend inside the Venue may be compromised
  - None of the operators registered an interest in operating the MSCP, Urban Park or the site wide facility management services
  - There wasn't a preferred management option or operating model, although there was general agreement that while a guaranteed deal (rental with gain share) may be possible, a management agreement would attract the greatest interest from operators (but potentially expose the Council to more risk than desired)
  - All operators agreed the Huddersfield market supported a 800 – 1,200 capacity Venue, but that the ancillary Cultural Heart development allows potential for a flexible-designed Venue capable of an audience of 2,200 to allow future programme growth with promoters, acts and audiences
-

- All operators agreed this was a very interesting proposition and an ambitious scheme with the potential to have a positive impact for Huddersfield.

4.40 From the SMT research, it is proposed that a procurement exercise for an external operator is undertaken to identify a partner on both options: a lease basis, and a management agreement basis. The process will look to secure an option that minimises risk to the Council while optimising the operation of the Venue, commercially and in terms of programming. It is recommended that Competitive dialogue is undertaken to establish optimum requirements of the respective operators in terms of Venue design and commercial terms. This is the most common route to procure a Venue partner and one with which the Venue operators will have experience of.

#### ***Multi Storey Car Park***

4.41 Further work has been undertaken on the operating models for the MSCP with the potential for a third-party operator to the Council being investigated alongside the commercial implications of such an arrangement.

#### ***Food Hall***

4.42 The management options for the Food Hall have been developed by Queensbury (part of the SDP team) and are set out below. As described, the preferred option will, in part be determined by market interest in the opportunity. A summary of the options under consideration and SMT include:

- **Traditional Leasing Arrangement** – the Council lease the space as an area to a tenant who will then pay a rent (fixed amount or fixed amount with turnover top up) to lease the space from the landlord (the Council) and then will run the bars and curate a mix of kitchens usually via sub-leases to food & beverage vendors. Agreement will be required on the areas included within a lease arrangement i.e. if toilets and washroom facilities are dedicated to the Food Hall or are shared with other areas could or could not be included within the lease. In a lease arrangement it is typical, in the current market, that the operator will undertake fit out works from the warm shell and this will be part funded by a capital contribution as part of the leasing deal. A rent-free period of approximately 12 months would also be expected. This approach passes the risk to the operator as they are contracted to pay a rent regardless of performance however it will remove an element of control the Council could demand if adopting the alternative options
- **Council Owned and Operated** – the Council retain control of the Food Hall space and take full responsibility for the operation and management of the Food Hall including securing tenants, delivery and management of the space, fit out and design. All fit out works are undertaken by the Council as landlord and then kitchen and bar spaces would be let to individual food or bar vendors. Furniture in communal dining areas is provided by the Council as the operating entity. This option would not typically be recommended unless the Council already has an operational / management arm that has the knowledge and expertise to deliver and manage this type of venture. Again, all risk would sit with the Council if this option was progressed
- **Management Agreement** – the Council procures an agreement with a Food Hall operator who will run the management and operation of the Food Hall including responsibility for

securing vendors. The management company will be paid a management fee (that may include a turnover-related incentive). The Council will retain the profits (or a share of depending on deal structure). All fit out works will be undertaken by the Council, however, this will be done in partnership with the operator who will advise on design and logistics. A management agreement would be most attractive to the if there was no demand from the market to take on a traditional lease or if the Council wanted more control over the offer being delivered. In this model the Council would be taking on the risk as the management fee would be payable regardless of performance. As the Council would be paying for a service there would be more ability to influence/direct the approach taken.

4.43 The soft market testing, [REDACTED] has determined that there is an appetite within the operator market and that the current assumption of form of contract (traditional lease) and, in turn, the procurement approach is suitable. Queensberry has identified approximately 10 potential operators for the Food Hall and outlined the timescales for engagement. Although currently very early in the process, Queensberry has developed strong further interest from a number of operators and have tested assumptions on rents, service charge arrangements and forecast capital contribution. A procurement timetable has been outlined with the soft market testing however initial discussions with potential operators will continue as required until the formal procurement process commences.

4.44 The next steps in terms of procurement are to create the necessary collateral to promote awareness of the scheme within the operator market. This will include data and promotional activity and further potential site visits. As a relatively new market and due to the nature of the food hall operation and reaction of market trends, it is important that the procurement process is carefully managed and that the KCH opportunity is promoted at the correct time and level to avoid going stale. This is considered within the context of the current soft market test and the proposed timetable.

#### Personnel implications

4.45 The SDP carried out a full Skills and Capacity Assessment of the Council in March 2021. This included interviewing 16 Council employees from 16 departments/disciplines to identify the current skills and resource position and identify what it needs to be in the future to support the delivery of this programme.

4.46 Key themes raised in the process are set out in Figure 4.1 overleaf.

Figure 4.1 Key themes raised in Skills and Capacity Audit



- 4.47 The report identified the strengths and weaknesses of the Council departments, whether they had sufficient resources for the future roles required to deliver the programme, set out the role of each department in delivering the programme, and made recommendations as to how to move the current situation to where it will need to be.
- 4.48 Overall, there were a number of gaps identified in terms of skills and capacity that are being addressed for the delivery of this programme.

### Summary

- 4.49 In summary, the Council's approach is, where possible, to seek external support from third parties who have the commercial experience to run facilities and deliver the outcomes the Council are seeking. Therefore, the Venue, Food Hall and potentially the MSCP, Urban Park and site management may be managed by external parties. The Library, Museum and Gallery are likely to remain in Council management to ensure the required social outputs and acknowledging there is less external expertise in these sectors. The potential to have increased touring content in the Museum and the Gallery will require external support to be utilised.

## 5. The Financial Case

### Introduction

- 5.1 This section sets out the headline financial information for the Preferred Way Forward identified in the previous sections of this report. This includes indicative capital development budget estimates, broken down into key scheme components. It also sets out the overall anticipated operating costs and revenues for each elements of the scheme.
- 5.2 It will detail the expected overall financial impact of the Preferred Way Forward when compared to both the Do Nothing (Business As Usual) option and the Do Minimum option focusing on both the capital development budget and overall revenue impacts.
- 5.3 Included will be the initial financial feasibility of the Preferred Way Forward and an assessment on affordability in line with the overall objectives set out above in Strategic Outline Case. It identifies the total anticipated project funding in terms of both capital expenditure and any additional revenue expenditure that may be necessary to support the preferred option.

### Capital Development Budget

- 5.4 Turner & Townsend have prepared a full detailed cost analysis report for each of the following options based upon the RIBA Stage 2 design as set out by the appointed architects and master planners Feilden Clegg Bradley Studios. [REDACTED]  
The evaluated options are:
  - Do Nothing Option – Business As Usual as set out in Section 3, the Economic Case
  - Do Minimum Option – as set out in Section 3
  - The Preferred Way Forward Option – as set out in Section 3.

### Capital Development Budget – Do Nothing Option – Business As Usual

- 5.5 In consultation with the Council's finance team and the wider Cultural Heart technical team and using the many existing reports on the state of the current facilities Turner and Townsend have prepared an estimate of the immediate future capital development budget of the Do Nothing option detailed overleaf as Table 5.1

**Table 5.1 Do Nothing Capital Development Budget Estimate**

Do Nothing Option	Capital Development Budget £
Library	6,400,000
Queensgate Market	6,400,000
Public Realm Works	500,000
<b>Sub Total</b>	13,300,000
Sustainability	665,000
Temporary Accommodation	0
Professional Fees	2,374,050
Contingency/ Risk	1,555,980
<b>Ancillary Costs</b>	4,595,030
Building Inflation	3,974,122
<b>Total Cost including Inflation</b>	21,869,152

- 5.6 As set out in table 5.1 above, there is a significant current capital investment requirement of c£22m just to maintain the current facilities in their current condition. It is assumed that in the Do Nothing option some of the existing vacant piazza retail shops would be demolished as part of the £6.4m works required in the Queensgate market. The current listed Library building which also houses the current Gallery requires a further £6.4m investment. Fees, contingency and other costs total £4.6m and inflation an additional £3.9m.
- 5.7 Additionally, it should be noted that the estimates above are the costs that are currently needed just to maintain the existing facilities as they currently are. There would no doubt be considerable additional costs that need to be incurred in future years which are likely turn into several millions of pounds.

#### **Capital Development Budget – Do Minimum Option**

- 5.8 The Do Minimum option is fully set out and outlined in Section 3. This option retains the current Library building as a Library. A new smaller Venue is constructed and part of the Queensgate market is refurbished turning it onto a Food Hall. The remaining part of the Queensgate market with some additional space being constructed will be the new Gallery. Additionally some of the existing retail buildings will be retained. Some of them will be refurbished to form a new Museum and some of them will be retained as commercial retail space which will be let to commercial tenants. A new 300 space car park would be provided.
- 5.9 Turner & Townsend have prepared a full detailed cost analysis report for the Do Minimum option. The headline costs are summarised in Table 5.2 overleaf.

Table 5.2 Do Minimum Capital Development Budget

Do Minimum Option	Capital Development Budget £
Demolition and facilitating works	9,796,800
Library	11,200,000
Gallery	7,483,710
Museum	15,866,200
New Venue	22,500,000
New Food Hall	6,922,234
Car Park	9,450,000
Tunnels	3,676,000
Existing Retail Works	6,949,500
Public Realm Works	8,571,680
<b>Sub Total</b>	102,416,124
S106/278	5,000,000
Sustainability	5,370,806
████████████████████	████████████████████
Venue FF&E	1,250,000
Food Hall FF&E Contribution	1,000,000
Temporary Accommodation	1,000,000
Marketing and Consultation	750,000
Professional Fees	19,173,778
Contingency/ Risk	12,566,720
<b>Ancillary Costs</b>	46,611,304
Building Inflation	12,880,267
<b>Total Cost including Inflation</b>	161,907,695

5.10 As highlighted in Table 5.2 above overall capital expenditure under the Do Minimum option is c£162m . This includes a cost of £9.8m in respect of demolition of some of the existing retail units and some facilitating works. The refurbishment of the current Library is expected to cost £11.2m and the refurbishment of the Queensgate market into a Food Hall £6.9mm. The new Museum located within some of the existing retail space will cost £15.9m and the new 1,200 capacity Venue £22.5m. The relocated Gallery partly into the Queensgate market and part new build is expected to cost £7.5m.

5.11 The new 300 pace car park will cost £9.5m with works to the tunnels and creating new public realm including the urban garden will cost £12.2m. Additional works to the existing retail commercial units will cost just under £7m.

5.12 Professional fees are expected to cost £19m. Other ancillary costs which include allowances for S106 planning requirements, sustainability, tenant's compensation and some FF&E for the Venue and Food Hall will cost just under £15m. A contingency and risk provision of £12.5m is included and, building inflation is expected to be £12.9m. The total project cost of the Do Minimum option would be £161.9m

**Capital Development Budget – The Preferred Option**

Turner & Townsend have prepared a full detailed cost analysis report for the Preferred Way Forward as set out above.

*Table 5.3 Preferred Way Forward Capital Development Budget Estimate*

The Preferred Way Forward	Capital Development Budget £	
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
<b>Total Cost including Inflation</b>	<b>209,975,275</b>	

5.14 As highlighted in Table 5.3 above the estimated capital development budget of the scheme is £194m excluding build cost inflation. Including the estimated impact of build cost inflation



increases the overall cost by 11.4%, £16m taking the total estimated project cost to just under £210m.

[REDACTED]

[REDACTED]

[REDACTED]

5.18 [REDACTED] A contingency provision of 10%, £15.9m has been included in the overall cost.

5.19 As the project develops further additional detailed work will be undertaken by all parties including the appointed architects and cost consultants to refine the overall expected capital development budget of the Preferred Way Forward.

**Fixtures and Fittings and Equipment (FF&E)**

5.20 In addition to the capital development budget set out in table 5.3 above of £210m which includes an allowance for FF&E in respect of the Food Hall and Venue. There would be additional costs for fixtures, fittings and equipment for the Council the facilities. In particular there would be a requirement at the new Library, new Museum and Gallery for ancillary equipment such as book shelving and exhibition cabinets etc. In addition it is expected that each facility would need new sundry equipment such as desks, chairs, computers and other such ancillary items that would be necessary to fully open these new facilities. Each service team has already provided broad details of what would be required for each of these new council run facilities.

5.21 The new Venue is likely to need to be delivered to a commercial operator as a turnkey operation being supplied to the operator including fixtures and fittings. In some recently contracted Venues the operator has provided a contribution to these costs – £10m, but it would be prudent at this stage given the impact of COVID-19 on their cash resources to exclude any operator’s contribution towards the FFE cost included in the overall project cost.

5.22 The new Food Hall will also be operated commercially but the operator will provide the necessary FF&E with the project making a contribution to these costs. This contribution is expected to be £1m and is included in the current cost plan set out in Table 5.3.

- 5.23 The overall expected level of additional cost in relation to the FF&E required for the project is c£8m – 10m which includes allowances for the Library, Museum and Gallery. It should be noted that this amount would be in addition to the capital development budget set out in Table 5.2 above. The intention is that the Council will contain this extra investment within the current financial envelope of the overall Capital Plan through a reprioritisation exercise.

#### Current Revenue Position

- 5.24 The net revenue position for the existing facilities is set out below and also in the Strategic Case section above. We have been provided by the Councils Finance Department the current net operating costs for each of the areas under their control for both the preceding years and also the current budget year 2021/2022 which was prepared on the basis of no covid related adjustments.
- 5.25 As confirmed by the Council’s finance department whilst the Library and current Museum and Gallery have been affected by closures as a result of COVID-19, there has been very little impact on the operating budgets of these facilities. All three facilities have very little income and are operated as an annual cost to the Council of which the majority cost is the cost of employees. Along with virtually all public sector organisations Kirklees Council continued to employ the relevant staff and so the 2021/2022 budget remains a relevant benchmark for the current cost of operating the existing Library, Museum and Gallery.
- 5.26 The Queensgate market currently operates as an indoor market facility. It currently has a number of stalls which supply a wide variety of products and services. The current operation although generating a small net income for the Council had been steadily declining over a number of years with the number of stall holders and revenue generated falling over that time. This decline is expected to continue.

Whilst the Council retain ownership of the Piazza Shopping Centre, the management of the centre is outsourced to a third-party agent, Carter Jonas. We have been provided with figures from Carter Jonas as to the current financial position of the shopping centre including rents received, unrecoverable service charges and business rates in respect of empty units. As with the Queensgate market the number of empty units has been increasing over the years

- 5.28 In summary in the Business As Usual position the overall net operating cost for the current facilities is set out in Table 5.4 overleaf which highlights the current costs incurred and income generated by the council in operating of the current facilities on the proposed cultural heart site.

*Table 5.4 Current net operating costs of current facilities*

Current Net Operating Costs	
£	
Library *	(1,099,000)
Tolson Museum *	(160,000)
Gallery*	(118,000)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total	(1,127,000)

\* 2021/2022 budget

\*\* 2020 Actuals

[REDACTED] The above figures that have been provided by the Council’s finance team for the Library and Museum and Gallery and are based on the 2021/2022 budgets. [REDACTED]

[REDACTED]

5.30 From detailed discussions with the Council’s finance team it was agreed that these represent an accurate picture of the current levels of income and costs for the Council in terms of the existing facilities. They also reflect the considerable operational savings that have been made over the previous years including the reduced opening hours. In addition it should be noted that the Library figures exclude any cost in relation to any of the staff employed centrally who oversee all the libraries in Kirklees as well as the central Library.

5.31 As highlighted in Table 5.4 above, the current financial net operating position of the current facilities is that in total they cost the Council annually c£1.1m. The current Library having the largest impact on the current financial position costing c£1.1m per annum.

[REDACTED]

**Revenue Position – Do Minimum Option**

5.33 The Do Minimum option is fully outlined above. Table 5.8 overleaf sets out the projected revenue and cost position of the Do Minimum option.

Table 5.5 Current net operating costs of the Do Minimum option

Do Minimum Option	Pre-Opening Costs £	Net Operating Costs Year 1 £	Net Operating Costs Year 2 £	Net Operating Costs Year 3 £
New Museum and Gallery	(3,915,000)	(2,795,000)	(2,851,000)	(2,908,000)
Refurbished Library		(1,221,000)	(1,246,000)	(1,271,000)
Outdoor Event Space		0	0	0
Urban Park Management Costs		(792,720)	(808,560)	(825,120)
Commercial Retail Income		138,000	140,760	143,575
<b>Total</b>	<b>(3,915,000)</b>	<b>(4,416,574)</b>	<b>(4,375,286)</b>	<b>(4,319,003)</b>

5.34 As highlighted in Table 5.5 above the total operating cost of the Do Minimum option is c£4.4m in the first year (2026/2027) reducing to £4.3m in the first mature year [REDACTED]

5.35 The revised smaller Venue would not generate a commercial rent from a third party operator as the margin for an operator would be smaller than under the Preferred Way Forward. But it would be expected that a third party commercial operator would be willing to operate the Venue on a no subsidy position whereby the operator would underwrite any losses but would also retain 100% of any profit generated.

[REDACTED] The new Food Hall located in the current Queensgate market remains the same in the Preferred Way Forward [REDACTED]

5.37 The Library would be retained in its existing location but with a significant expenditure on refurbishment. The operating cost of the Library would be expected to be broadly the same as the preferred option with operating costs of £1.2m.

5.38 The revised new Museum and Gallery under the Do Minimum option are of the same size and scale as the preferred option albeit in different locations. The operating plan for both Venues would remain the same under the Do Minimum option, which includes the c£4m spend on pre-opening costs. Full details of the preopening expenditure are set out in table 5.7 below. As a result the operating budget for the Museum and Gallery is c£2.8m as per the preferred option.

5.39 The retail and food and beverage operation that would serve the both the Museum and Gallery is expected to be smaller under the Do Minimum plan as it would really only serve the

new Museum only. Additionally there would be increased competition from the food and beverage units that are expected to remain as commercial tenants.

As part of the Do Minimum option some of the existing retail units are expected to remain and be available for commercial tenants.

- 5.41 The costs of managing the overall site are expected to be smaller as under the Do Minimum option there is less public realm space and the outdoor event space has been removed. There is also likely to be a reduction due to the omission of the proposed water feature. As a result the overall cost has been reduced by 10%.

As the Do Minimum option would include some commercial tenants, it would be possible to recharge some of the site wide management costs to these commercial tenants by means of a service charge.

#### Revenue Position – The Preferred Way Forward

- 5.43 As part of the process in developing the outline business case we have prepared fully detailed business plans for each of the elements of the scheme. The business plans for the new Library and Museum and Gallery have been prepared in consultation with not only the Council's finance team but also in a series of consultations and sessions with the appropriate service teams .
- 5.44 These sessions were attended by all the relevant staff from each function including senior management. The new Museum and new Gallery will be part of the Museums and Galleries department at the Council, with the budget being developed as a joint proposition utilising roles across both venues with many of the staff performing joint roles over the two new facilities. As a result the operational budget has been prepared as a joint budget which covers both the Museum and Gallery operation.
- 5.45 As part of the costs for a new Museum and Gallery it has been identified that there would additionally be significant expenditure that would need to be incurred by the Museums and galleries department in the years preceding the opening of the new facilities (pre-opening costs). These costs would include the cost of cataloguing their current artefacts together with the costs of curating the new Museum and Gallery.
- 5.46 The proposed scheme also includes the provision of an outdoor events space which is intended to be used for a series of outdoor activities such as concerts, markets and other events. The Council currently has budget provision for a number of events such as the Christmas lights switch on and the Remembrance Day parade which currently take place at an alternative location.
- 5.47 Other outdoor events that would be planned to take place would only be undertaken to the extent that they were covered by other Council budgets or they would be purely commercial events that would be at least break even. It is intended that these other events would be a combination of Council promoted events and third party commercially promoted events but that in total the business plan for the outdoor events space would be cost neutral to the cultural heart project. A business plan has been prepared for activities in the Outdoor space

for completeness but there is no net contribution or cost for these activities as part of the scheme.

- 5.48 As outlined above the project will include a number of commercial elements including the Food Hall and new Venue and both are an integral part of the Preferred Way Forward. Detailed business plans have been prepared for each of these elements. It is anticipated that the operation of these commercial elements would be by a third party operator who would lease these facilities from the Council. Full details of the proposed operating structure are set out in the Commercial Case in Section 4.
- 5.49 As a result of the proposed operating arrangements for these facilities any financial impact for the project is limited to the level of rental expected to be paid by the commercial operators.
- 5.50 The cultural heart project will also include a small 50 covers café and a small retail shop which would predominantly service the new Museum and Gallery. It would also be open to the general public and other users of the cultural heart . A sperate business plan has been prepared for these services.
- 5.51 There will be a new 350 space car park to be constructed as part of the scheme. At this stage the actual operation of this car park is still to be determined but a detailed business plan and report has been prepared by a specialist car park consultancy (Town Centre Parking). Their report sets out the estimated demand and charges for the car park together with the expected income and costs for the proposed car park.
- 5.52 In addition to the on-site car park proposed as part of the Cultural Heart project, we would anticipate that given the increased level of activity within the town itself that there would also be a benefit to the existing car parks within the town centre some of which are under control of the Council. At this stage no additional analysis has been undertaken to assess fully any impact for the Council in respect of its existing car parks and any increases in revenues that may generate for the Council.
- 5.53 As outlined in the commercial case above in section 4. It is assumed at this stage that the Cultural Heart as a whole including the Urban Park and gardens will be managed as a whole and be separately managed to other Council's assets. A full operational budget has been prepared by the specialist consultancy Bramfield Asset Management for the management of the whole site.
- 5.54 Their report sets out the operating philosophy for operating the Cultural Heart including the security and access provisions for the site and the number of staff that will be employed for the management of the site. In addition their report details in full the operating cost expected to be incurred for operating the whole cultural heart site including the costs for security, cleaning, landscaping, maintenance and utilities.
- 5.55 The individual buildings themselves would retain responsibility for their building but the costs of manging the common parts and the overall, site would be included as site wide managements costs for the Cultural Heart.
- 5.56 The annual net revenue position from the commercial elements of the project and annual net running costs for the Council run operations for the four year pre-opening period from 2022

to 2026 and the first three years of operations when the commercial elements reach a mature position are outlined in Table 5.5.

*Table 5.6 Net operating costs of the facilities*

	4 Year period	Year 1	Year 2	Year 3
	2022/2026	2026/2027	2027/2028	2028/2029
Council Income / Costs	Pre Opening	Operating	Operating	Operating
	£	£	£	£
<b>Commercial Operations</b>				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Council Operations</b>				
New Museum and Gallery	(3,915,000)	(2,795,000)	(2,851,000)	(2,908,000)
New Library	0	(1,221,000)	(1,246,000)	(1,271,000)
Outdoor Event Space	(26,000)	(83,000)	(62,000)	1,000
Urban Park Management Costs	0	(1,101,000)	(1,123,000)	(1,146,000)
	<b>(3,941,000)</b>	<b>(5,200,000)</b>	<b>(5,282,000)</b>	<b>(5,324,000)</b>
<b>Total Council Net Costs</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

5.57 As highlighted in Table 5.6 above the commercial operations consist of rental income received from the Venue and the Food Hall together with and the operational profits expected from the operation of the car park and the operation of the café and shop located in the Museum but which services both the Museum and Gallery.

5.58 Rental income is expected to be [REDACTED] in year three the first mature year for the Venue representing 50% of the pre rental profits expected that the Venue would generate. As outlined in the commercial case the Venue is expected to be operated on a lease basis with the annual rental being subject annual inflation increases.

5.59 The Food Hall is also expected to be operated by a commercial third party operator on a lease basis. [REDACTED]. Again annual rent would increase in line with inflation.

5.60 The food and beverage and retail net income after costs will be [REDACTED] in year one rising to [REDACTED] in year three. Based on the attendances at the Museum and Gallery together with a small percentage from the Library and other site users.

5.61 Net car parking income after costs based on the Town Centre Parking report is forecast to be [REDACTED] in year three based upon the provision of 350 dedicated spaces adjoining the new Venue. As outlined above no additional car park income has been assumed in the financial

model in respect of any additional income that would be generated in the existing Council car parks. Although this is likely to generate additional revenue for the Council.

- 5.62 The new Museum and gallery business plan includes a substantial amount of expenditure to be incurred before the venue opens, gradually increasing from the current Council financial year of 2022/2023 to the opening in 2026/2027. Table 5.7 below sets out the anticipated pre-opening costs in each financial year

**Table 5.7 Museum and Gallery Pre-opening costs**

	Pre-opening costs
Museum and Gallery	£
Financial year 2022/2023	(387,000)
Financial year 2023/2024	(667,000)
Financial year 2024/2025	(723,000)
Financial year 2025/2026	(2,164,000)
<b>Total pre-opening costs</b>	<b>(3,941,000)</b>

- 5.63 Table 5.7 highlights the total pre-opening expenditure required is c£3.9m over the four year period before the new venues open rising from £387k in 2022/2023 to £2.2m in 2025/2026. The largest element of these costs is for staff to organise and curate the new Museum and gallery including fully cataloguing the current Council collections much of which is held in storage.
- 5.64 Overall pre-opening staffing costs are £3m increasing from £387k in 2022/2023 for five staff to £1.2m in 2025/2026 for 41 staff in 2025/2026 albeit some of them will only be employed for a few months of that year. Other pre-opening costs include £900k for transportation and relocation of the existing collection to the new Museum and Gallery.
- 5.65 In terms of the annual operating cost of the new Museum and Gallery once it is open as per Table 5.5 this will be c£2.9m per year which is expected to increase annually in line with inflation. This is as considerable increase from the current operating costs of the current Museum and Gallery which is further discussed below.
- 5.66 The new Library is expected to cost c£1.2m annually, again this is expected to increase annually in line with inflation. The Library service is not anticipating to incur any additional preopening costs in relocating to a new building and the expect any such costs would be fully covered within their existing budgets.
- 5.67 As detailed above the cultural heart project includes the provision for an outside events space to accommodate both Council and non-Council events. The business plan for the outdoor events space as detailed in Table 5.6 indicates that this element would operate on a break even basis from year three, the first mature year. It is expected to incur a small loss in the first two years with a small amount of pre-opening expense required.



5.68 As set out above and in the Commercial Case in Section 4 the working assumption is that the overall management of the whole cultural site is to be undertaken separately from other Council services and budgets and would include services such as security and landscape maintenance. The cost of providing these services as per the Bramfield Asset Management report is expected to be c£1.1m per year again rising annually with inflation.

**Revenue Position – Comparison with existing budgets**

5.69 The Cultural Heart scheme as well as introducing new elements such as the Venue to the town it also replaces the existing Library, Museum and Gallery who have an existing allocated Council budget to provide these services. Table 5.8 compares the costs and income for the mature year three for cultural heart project to the current existing Council budgets.

*Table 5.8 Comparison with Existing Budgets*

	Current Council Budget*	Year 3 Cultural Heart **	Variance
	£	£	£
<b>Commercial Operations</b>			
New Venue - Rent Receivable			
Food Hall -Rent Receivable			
M&G Food & Beverage plus Retail			
Car Parking Income			
<b>Council Operations</b>			
New Museum and Gallery			
New Library			
Outdoor Event Space			
Urban Park Management Costs			
<b>Total Council Costs</b>	<b>(1,590,000)</b>	<b>(4,573,000)</b>	<b>(2,983,000)</b>

\* 2022/2023 Council budget inflated to 2026/2027 at 2% pa (except payroll 4% 2022/23 and 2023/24)

\*\* The mature year 3 position is 2028/2029 and includes 2% inflation form 2026/27

5.70 As Table 5.8 highlights, the proposals for the Cultural Heart would increase the Council’s revenue budget spend by c£3m annually when the facilities open. Table 5.7 sets out the position when compared to the year three position (2028/2029) for the Cultural Heart, it is only at that point that some of elements of the scheme such as the car park reach full maturity.

5.71 The biggest impact to the existing Council’s budget would be the new Museum and Gallery whose current budget of £319k increase to £2.9m . The cost of running the Library would remain at £1.3m.

Site wide management costs contribute £1.1m to the increases in the overall budget.

5.72 Whilst there is a very large increase of c£3m in the expected Council budget for the operation for the new Museum and Gallery, there is a considerable difference between the current provision and that envisaged a part of the Cultural Heart. The current Museum and Gallery are small operations with very limited opening and operated by only five FTE staff. The new Museum and Gallery will be a large operation open six days a week and is expected to employ c48 FTE staff. This increase in the staffing numbers represents the largest increase in cost and has the biggest impact on the overall budget requirement.

***Sensitivity Analysis (Preferred Option)***

5.73 The following sensitivity scenarios have been undertaken to fully understand the potential on the Council's overall financial position of the following in terms of both its annual revenue budget and its expected Cultural Heart capital budget:

- The impact of a +/- 5% change in Council income and Council expenditure on a year three mature year operating position and Council revenue funding position
- The impact of a +/- 10% change in Council income and Council expenditure on a year three mature year operating position and Council revenue funding position
- The impact of a +/- 25% change in Council income and Council expenditure on a year three mature year operating position and Council revenue funding position
- The impact of a 5%, 10% and 20% increase in project development costs and the impact this may have in respect of the overall affordability position.

5.74 Table 5.9 overleaf sets out the impact of the above scenarios on the Council's revenue budgets of changes in the revenues generated and costs of the Cultural Heart. It should be noted that plus sensitivities represent a positive improvement for the project and minus represent a negative position for the project.

**Table 5.9 Sensitivity Analysis on Revenue Budgets**

Table removed

- 5.75 As highlighted in Table 5.9 above by increasing the revenues generated to the Council and reducing the budgeted Council costs by 5% has a positive £304k benefit. This benefit increases to £608k on a 10% variance and a large £1.5m benefit as revenues increase and cost decrease by 25%.
- 5.76 If the actual revenue to the Council reduces and the annual running costs for the Council run facilities increase this has a detrimental effect of £304k with a 5% variance and a £608k impact with a 10% variance. If revenues decrease and costs increase by 25% this has a large £1.5m difference resulting in the actual annual cost to the Council of £6m.
- 5.77 Table 5.10 below set sets out the increased capital development budget of the project if they were to increase by 5%, 10% or 20% and the impact on the overall budget.

**Table 5.10 Sensitivity Analysis on Capital Development Budget**

	Project Cost	Plus 5%	Plus 10%	Plus 20%
	£	£	£	£
<b>Preferred Option</b>				
Construction Costs	130,539,000	137,065,950	143,592,900	156,646,800
Fees and Other Costs	63,183,793	66,342,983	69,502,172	75,820,552
Inflation	16,252,482	17,065,106	17,877,730	19,502,978
<b>Total Cost</b>	<b>209,975,275</b>	<b>220,474,039</b>	<b>230,972,803</b>	<b>251,970,330</b>

- 5.78 The total capital development budget is estimated at £210m. As detailed in Table 5.10 the overall project cost would increase under the following sensitivities:
- 5% increase in project costs would result in a £10m increase bringing the total costs to £220m
  - 10% increase would increase costs by £21m, resulting in total costs to £231m
  - 20% cost increase would increase costs by £42m bringing the total cost to £252m.

**Impact on the balance sheet**

- 5.79 The scheme proposed is a large scheme with a total cost of c£210m and will result in additional assets being owned by the Council and being included in its balance sheet. These would include the new commercial assets of the new Venue and the proposed new car park and the new Library building, new Gallery building, outdoor events space and Urban Park.
- 5.80 The new Food Hall is to be located in the Queensgate market which will be fully refurbished as part of this project. As a result of the additional expenditure on this asset the current carrying value of this asset will be considerably increased in the Council's balance sheet.

- 5.81 Under both the do minimum option and the preferred way forward there would be significant expenditure spent on the existing Library building resulting in an increase in carrying values in the Council's balance sheet.
- 5.82 An additional consideration for the Council's balance sheet would be the potential impact to the current Tolson Museum building and the potential need for any impairment provision to be included in the balance sheet. At this current time the project has assumed that the current Venue will be repurposed and continue to be used for Council purposes.
- 5.83 The overall funding strategy is progressing. The required funding has been extensively discussed internally by the Council at both Officer and Member level and is currently included as part of the medium term financial plan of the Council.
- 5.84 As we understand the position it is the intention of the Council at this stage to secure the funding required by external borrowing for a considerable proportion of the amount required to deliver the Cultural Heart project.
- 5.85 To the extent that the Council utilises the external funding options including using Central Government loans this will increase its liabilities in its balance sheet. However it would be expected that the funding would be on a long term basis over a significant number of future years which would affect long term liabilities (those greater than one year) as opposed to short term liabilities and as a result the Council's liquidity position.

*Impact on income and expenditure account*

- 5.86 The current facilities (Library, Museum and Gallery) included as part of the project already have a £1.1m impact on the Council's income and expenditure account as outlined in Table 5.4.
- 5.87 As fully set out in Table 5.8 there will be a significant impact on the Council's income and expenditure account. Total net Council expenditure (excluding any financing costs – see below) will increase annually from the current £1.5m to £4.6m following the opening of the Cultural Heart in 2026/2027, this represents an increased funding requirement of £3m from the current funding cost once inflation has been accounted for.
- 5.88 The biggest impact on the income and expenditure account is the operating costs of the new Museum and Gallery which increase from £300k to £2.9m. As outlined above, this increase reflects the significant and fundamental change in the nature of new operation from the current very limited offer. The biggest element of the increase is the increase in the staff required to operate the facilities from just over five full time equivalent to 48.
- 5.89 Additionally there is an impact in respect of the Council's income and expenditure account for the next four years of £3.9m commencing with the financial year 2022/2023 in respect of the proposed pre-opening costs for the new Museum and Gallery.



- 5.91 It is assumed that most if not all of the amount required would be borrowed by the Council, to enable the scheme to take place. If c£210m were borrowed from the Government's Public Works Loan Board (PWLB), the annual loan repayments would be around £9.5m. (based on current interest rates and borrowing over 40/50 years). Interest on this loan would be c8.1m a year initially and would need to be accounted by the Council in the income and expenditure account. The Council would also need to account for repayment of the loan principal which initially would be c£1.4m a year.
- 5.92 Including both the impact on the current revenue budget of c£3.0m and the impact of borrowing costs of c£9.5m, the Council would need to find an additional c£12.5m annually for the project to proceed . This position is set out in table 5.11 below.

**Table 5.11 Annual Council Costs**

Mature Year 3	Additional Annual Council Expenditure
	£
<b>Commercial Income</b>	
New Venue - Rent Receivable	
Food Hall -Rent Receivable	
M&G Food & Beverage plus Retail	
Car Parking Income	
<b>Council Revenue Cost</b>	
New Museum and Gallery	
New Library	
Outdoor Event Space	
Urban Park Management Costs	
<b>Council Financing Costs</b>	
Loan Interest	(8,100,000)
Loan Capital Repayments	(1,400,000)
	(9,500,000)
<b>Total Council Costs</b>	<b>(12,483,000)</b>

\*The mature year 3 position is 2028/2029 and includes 2% inflation form 2026/27

**Overall affordability and funding**

- 5.93 As outlined above, discussions remain ongoing, including with Members, regarding the funding strategy for the scheme, which may involve utilising the Council's ability to access Central Government borrowing. It is assumed £210m will be required to fund the project and this has been incorporated into the Council's medium- and long-term treasury plan.
- 5.94 The position is more challenging in respect of affordability both in the short term for pre-opening costs and in the medium term once the new facilities are open because, in addition to

the annual funding required for debt servicing, there is an additional funding requirement of £3m in respect of increased operating costs of the new Museum and Gallery, and of the maintenance of the improved and more extensive public realm.

- 5.95 There are a number of financial risks that need to be constantly reviewed, considered and re-evaluated as the scheme progresses through the stages to ensure that the project remains within the Council's affordability criteria:
- **Affordability** – The overall affordability of the scheme needs to be constantly reviewed in the light of changing circumstances both for the scheme itself but also for the Council in general. This could include a change for example in its revenue projections as a result of a change in Central Government policy
  - **Deliverability** – Can the Preferred Way Forward be delivered within the financial envelope set by the Council or will any changes need to be made to keep it affordable including any revaluation of the preferred option
  - **Interest Rates** – As the scheme is to be funded as part of the Council's Treasury plan. Any change in interest rates may change the Treasury plans and as a result the affordability of the scheme
  - **Unexpected events** – There always remains a risk that a circumstance beyond what could be reasonably foreseen happens which results in an impact to the Council's funding and financing plans meaning the scheme would need to be reconsidered. An example would be the impact on Council finances of the recent COVID-19 restrictions or the war in Ukraine and impact on energy and other costs.

#### *Stakeholder support*

- 5.96 The scheme has considerable support from all key stakeholders who are committed to funding the project. Having considered the project in detail following preparation of the business strategic case the Council's Cabinet approved the project providing the resources to take the project to the next stage, including the preparation of this Outline Business Case.
- 5.97 At this stage of the project, it is assumed that no other organisations including any Central Government departments or other non-governmental organisations are necessary for the successful delivery of the project in terms of providing any funding and the project is not dependant any other support other than from the Council itself.

#### *Summary*

- 5.98 The scheme is a large project for the Council and will have a significant impact on the Council's financial position including its income and expenditure account and balance sheet. The current overall costs of the Preferred Way Forward including an allowance for inflation is just under £210m. There are £8-10m of additional costs in respect of fixtures fittings and equipment.
- 5.99 There is an additional annual cash cost to the Council of c£12.5m in respect of the proposed debt service costs and the increased operational budget requirement for a new Museum and Gallery service. [REDACTED]



5.100 Whilst the scheme is a major investment for the Council in both capital and revenue terms the economic and social impact will be very significant. The scheme will attract between 750,000-1,000,000 visitors and they will generate a large GVA for the town and the authority, let alone the region. These visitors will be from a local, regional and national catchment and subsequently the GVA for the project to be a major boost to the social, economic and cultural fabric of the area.

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## 6. The Management Case

### **Introduction**

- 6.1 The Council appointed Turner & Townsend as its Strategic Development Partner (SDP) for the project. The SDP has prepared a detailed Programme Execution Plan (PEP) which sets out the key elements of the management case in detail. The PEP is provided as Appendix L.
- 6.2 This section provides an overview of the management case, supported by the detailed information in the PEP.

### **Programme and project management governance arrangements**

- 6.3 The Programme Governance structure is set out in Figure 6.1 overleaf and explained below.

### ***Cabinet***

- 6.4 The Cabinet is the executive decision-making body of Kirklees Council. The Council has appointed a leader who is responsible for Cabinet, and the leader has appointed Cabinet members who have responsibility for work on a particular portfolio area and lead on policy development. The Cabinet takes decisions collectively in public and Cabinet members are jointly accountable for its decisions.

### ***Programme Board***

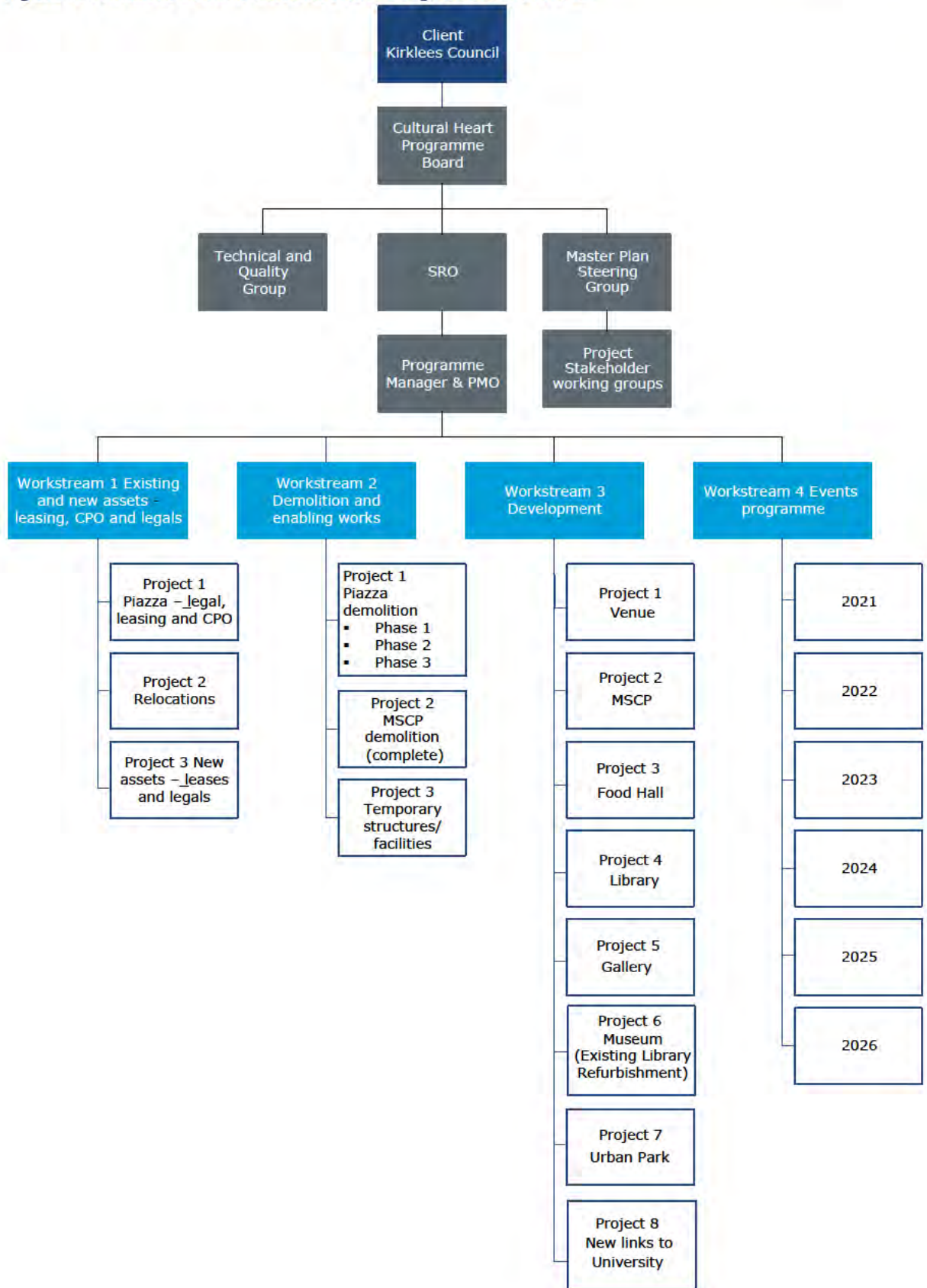
- 6.5 The Programme Board's prime purpose is to drive the programme forward and deliver the desired outcomes and benefits. Board members provide resource and specific commitment to support the Senior Responsible Officer (SRO) who is accountable for the successful delivery of the programme. The members of the Kirklees Council Cultural Heart Programme Board are listed by their post in the PEP.

### ***Committees***

- 6.6 The main committees associated with the programme are
- Master Plan Steering Group
  - Technical and Quality Steering Group
  - Finance Group.



Figure 6.1 Kirklees Council Cultural Heart Programme Structure



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### ***Master Plan Steering Group***

- 6.7 The Master Plan Steering Group are responsible at this stage for the review and approval of the functional elements for OBC:
- Viability of commerciality of the programme to OBC
  - Approving the OBC
  - Agreeing the functional requirements are met
  - Agreeing operational requirements are met.
- 6.8 This will be reviewed and updated at each Gateway. The Master Plan Steering Group is consulted with on an ad hoc basis as needed during the schedule of the programme.

### ***Technical and Quality Steering Group***

- 6.9 The Technical and Quality Steering Group are responsible for confirming technical and quality standards and completing the technical review and approval of the masterplan as it develops at the Gateways.
- 6.10 The Technical and Quality Steering Group is consulted with on an ad hoc basis as needed during the schedule of the programme.

### ***Finance Committee***

- 6.11 The Council has established a Finance Group for the project that will monitor the various iterations of projected capital and operational expenditure as the project progresses.

### ***Approvals process – Gateway model***

- 6.12 A Gateway model will be used to insert management and Kirklees Cabinet approval interventions into the programme lifecycle to maintain control over key decisions as the programme and any individual projects within the Master Plan develop. The Gateways will be employed at the following key programme stages (Table 6.1 overleaf).

**Table 6.1 Key Gateways**

Gateway	Output
Gateway 1 (GW1) – 16 <sup>th</sup> Nov 2021	<ul style="list-style-type: none"> <li>Approval of Strategic Outline Case (SOC)</li> </ul>
Gateway 2 (GW2) – 2 <sup>nd</sup> Aug 2022	<ul style="list-style-type: none"> <li>Approval of Outline Business Case, budget, &amp; associated masterplan (RIBA Stage 2)</li> <li>Approval to proceed to project completion and the delegated powers to implement in line with the budget including               <ul style="list-style-type: none"> <li>RIBA Stage 3 (commenced May 22, due to complete Dec 22)</li> <li>RIBA Stage 4</li> <li>Delegated powers will be requested to allow expenditure within and against the OBC programme budget to completion</li> </ul> </li> <li>Approval to proceed with planning application in Sept/Oct 2022</li> <li>Approval to proceed/continue the procurement strategies (and mitigations) and work done so far for,               <ul style="list-style-type: none"> <li>Main contractors, zones 1 &amp; 2</li> <li>Venue operator</li> <li>Foodhall operator</li> <li>Car park operator</li> <li>Proposal to return and update Cabinet at GW3 and GW4 for check and balance and any necessary further approvals as outlined below</li> </ul> </li> </ul>
Gateway 3 (GW3) – target date Jan/Feb 2023	<ul style="list-style-type: none"> <li>Approval to enter into contract / agreement for lease with Venue Operator (Q1 2023)</li> <li>Approval/update to a review of the OBC budget and RIBA Stage 3 completion (target date 18<sup>th</sup> Jan 2023)</li> <li>Approval to appoint contractors under Pre Construction Services Agreements (PCSA which will run from Feb 2023 to Oct 2023). This period is when the Design &amp; Build contractor takes over the design from RIBA 3 and develops with either their own or our design team (novated) for RIBA Stage 4. The contract price is also developed through the PCSA period to a point where the proposed contract price is agreeable to both parties.</li> </ul> <p>During the PCSA it is also anticipated that site enabling works will take place, potentially including some demolition [REDACTED], asbestos removal, retail unit and market strip out works and remaining intrusive surveys that could not be completed safely until the buildings were vacant.</p>
Gateway 4 (GW4) – target date Dec 2023	<ul style="list-style-type: none"> <li>Approval to enter into construction contracts, zones 1 &amp; 2</li> <li>Approval/update to a review of the OBC budget and RIBA Stage 4 completion</li> <li>Confirmation of delegated powers to appoint Food Hall operator (target Q1 2025) and MSCP operator (target Q1 2025)</li> </ul>

Gateway	Output
Gateway 5 (GW5) – target date Q1/Q2 2026	<ul style="list-style-type: none"> <li>• Readiness for service – Handover</li> </ul>
Gateway 6+ (GW6)	<ul style="list-style-type: none"> <li>• Ongoing Programme review – Review programme against success criteria and targeted benefits as per the Benefits Realisation Plan to be developed</li> </ul>

**Programme and Project Management**

6.13 The Cultural Heart programme management approach will adopt the best practice of the Managing Successful Programmes (MSP) principles and themes to give a clear set of actions to set up, assure and deliver the programme to Kirklees Council’s required objectives.

██████████ An Outline Delivery Strategy (ODS) has been produced which sets out the overall approach and how the programme will be mobilised, set up and delivered. ██████████  
██████████

██████████ The project will utilise a common information management protocol and Building Information Modelling (BIM). Details of the common information management approach are contained the Programme Execution Document (Appendix L) ██████████  
██████████

6.16 Turner and Townsend Technology has authored a family of BIM documentation, communicating Kirklees Council’s perceived information requirements for the Cultural Heart project. The primary documents are listed below:

- Organisational Information Requirements (OIR)
- Asset Information Requirements (AIR)
- Project Information Requirements (PIR)
- Exchange Information Requirements (EIR)
- BIM Execution Plan Template (BEP).

6.17 The Council has participated in stakeholder workshops led by Turner and Townsend - the version of documents created, therefore, constitute a mutually developed draft, founded on best practice coupled with project specific need, where applicable. These base documents will be developed further during RIBA stage 3 and 4 ahead of main contractor award.

**Key milestones**

██████████ The key milestones for the overall programme are set out in Table 6.2. ██████████  
██████████

*Table 6.2 Key Milestones*

Activities	Programme schedule
	TARGET DATES ONLY
Cabinet approval	22/06/2021
Programme initiation	05/07/2021
Tender packages 2 (Architectural Services) & 3 (Multi-Disciplinary Engineering Services)	22/10/2021
Gateway 1 – Strategic Outline Case (SOC)	16/11/2021
RIBA Stage 3 commence	30/05/2022
RIBA Stage 2 complete	02/08/2022
SQ Issue – Zones 1 and 2	15/08/2022
SQ Issue – Venue Operator	15/08/2022
Phase 2 Consultation commences	15/08/2022
SQ Return – Venue Operator	██████████
Phase 2 Consultation completes	██████████
Gateway 2 – Outline Business Case (OBC)	██████████
SQ Return – Zones 1 & 2	██████████
Planning application submission	██████████
RIBA Stage 3 complete (PB date TBC)	██████████
Planning Approval (excluding 12 week Judicial Review)	██████████
Soft Strip (pre-planning approval)	██████████
Gateway 3 (Cabinet TBC)	██████████
PCSA Zone 1 & 2 (commence)	██████████
Judicial Review complete	██████████
Soft Strip (Zone 2 post planning approval)	██████████

Activities	Programme schedule
	TARGET DATES ONLY
Gateway 4 – Main Contract Award Zones 1 and 2 (Cabinet TBC)	██████████
Mobilisation – Zone 1 & 2	██████████
Construction Commencement – Zone 1 & 2	██████████
Handover – Zone 1	██████████
Handover – Zone 2	██████████
New Facility Fit Out and Service Set Up	██████████
OpeninG	Q1 2026

**Use of specialist advisers**

- 6.19 As set out earlier, the Council has appointed Turner & Townsend as its Strategic Development Partner (SDP) for the project. The SDP is the programme and PMO function, with subject matter experts providing wider programme support.
- 6.20 The various parties to the strategic delivery partner (SDP), their roles, responsibilities, and relationships are described overleaf.

*Table 6.3 Strategic Development Partner roles (up to OBC stage and potentially beyond)*

Role	Name	Responsibility
Programme Management Office (PMO)	Turner & Townsend	Provides a central core of services and management for all projects carried out under the programme
Programme Manager	Turner & Townsend	Overall responsibility for programme management of the Cultural Heart programme
Cost Manager	Turner & Townsend	Overall responsibility for cost management of the programme
Procurement	Turner & Townsend	Responsible for framework selection and procurement of design packages 2 and 3
BIM	Turner & Townsend	BIM execution plan (organisation information requirements, asset information requirements, contract review)
Sustainability (only up to OBC stage)	Turner & Townsend	Responsible for sustainability strategy (targets, KPIs, delivery plan)
Health and Safety	Turner & Townsend	Appointed as Principal Designer for the programme under CDM 2015. T & T will fulfil duties detailed under CDM Regs 11 & 12 and aid the client in fulfilment of 'part 2 client duties' regs. 4, 5 and 6 under CDM 2015
Business Case and Cultural Specialists/Client representative	IPW...	Responsible for production of the SOC and OBC and advice on the development of the scheme
Development Manager	Queensberry Real Estate (QRE)	Support production of the SOC and OBC and advice on the development of the scheme
Planning Consultant	Pegasus Group	Responsible for outline planning strategy and heritage assessment

6.21 The SDP has managed the procurement of a range of other professional and specialist advisors. These have been grouped into the following three packages (note package 1 is the SDP itself):

- Package 2 – Design Team – the architect/design team responsible for delivering the Master Plan for the Cultural Heart and achieving two key objectives: outline planning permission and full planning application – FCB Studios appointed
- Package 3 – A multidisciplinary engineer providing civil, structural, MEP, sustainability and specialist engineering services – ARUP appointed
- Package 4 – Legal and leases - considering legal agreements for the proposed operators and tenants of the new event space and retail offer; managing current and future lease arrangements across the site- Addleshaw Goddard appointed.

#### **Change and Contract management arrangements**

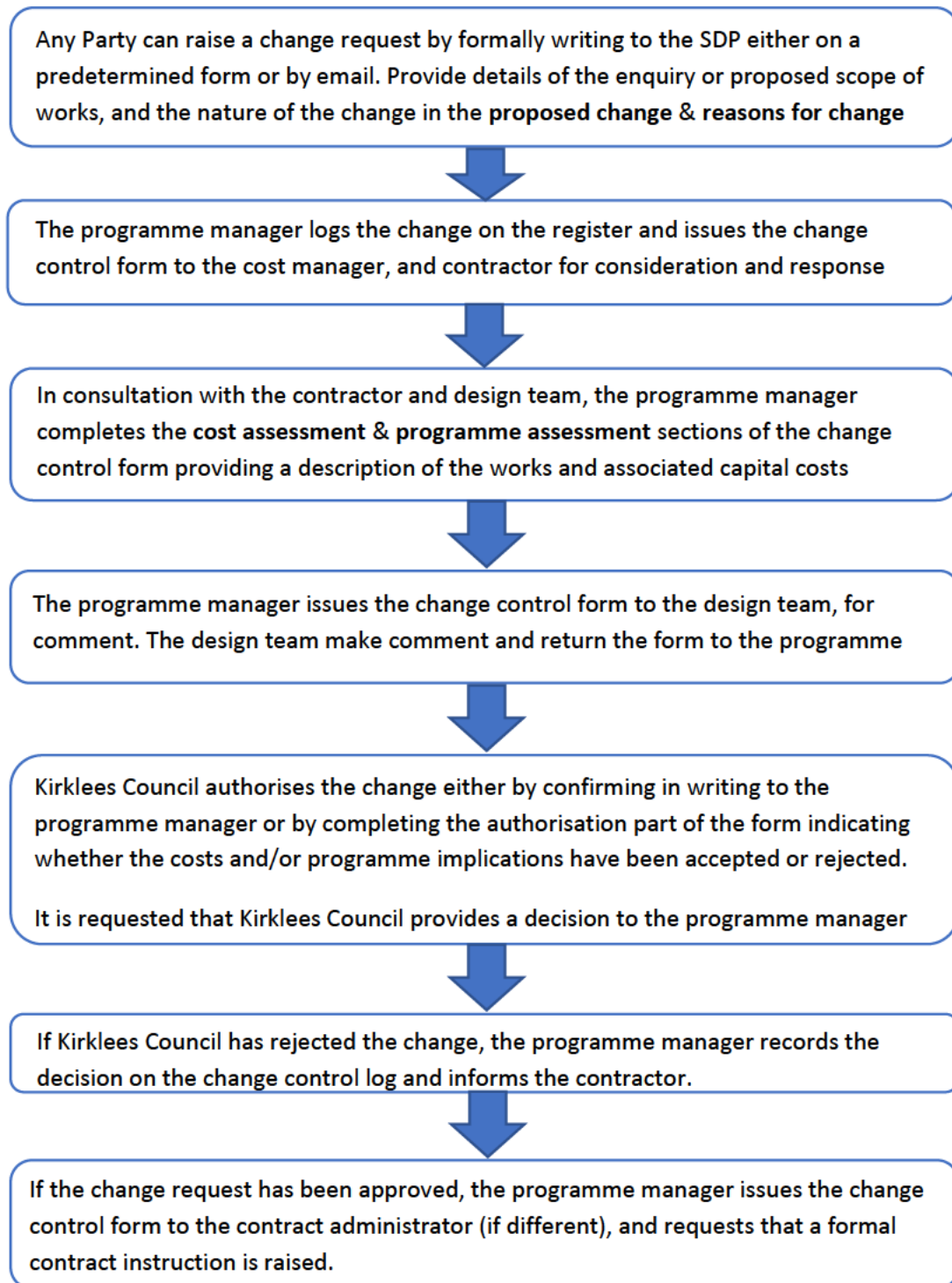
6.22 The SDP has established a change management process for the programme. A draft is included in the PEP, the key principles are as follows:

- The SDP is responsible for delivering the change control procedure and all parties are responsible for engaging properly in the process
- The approval of change is subject to limits on delegated financial authority
- The impact of all changes should be considered in terms of scope, cost, time, quality, safety, environment, risk and opportunity
- The key points of reference when considering change are:
  - The baseline cost/schedule plan (and subsequent cost plan revisions)
  - The Strategic Outline Case and developing design
  - The latest approved designs and specification.

6.23 Figure 6.2 overleaf illustrates the proposed procedure for processing change requests (outside of delegated authority), which is subject to agreement with the Council.



*Figure 6.2 Proposed process for change requests*



### Benefits Realisation arrangements

6.24 In the next phase of the project, a Benefits Register will be developed, and regularly updated throughout the project development and execution phases.

6.25 The Benefits Register will establish the following:

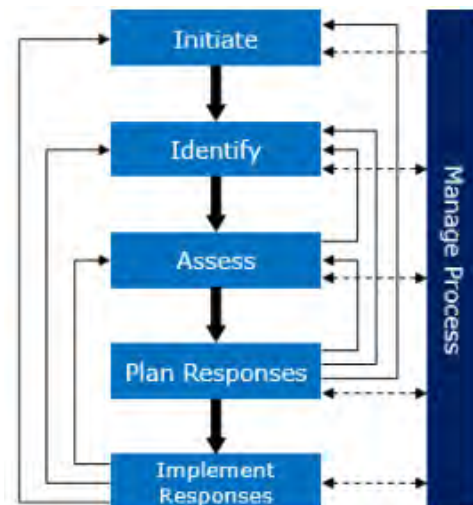
- Description of benefit (as per project benefits identified in Section 2)
- Party/person responsible for measuring the benefit
- When the benefit is expected to be realised
- How and when the benefit will be measured
- Establishing a baseline/current measurements.

### Risk management arrangements

6.26 The risk management arrangements are identified in the PEP and summarised below.

#### Overview

6.27 Risk management is a process whereby the threats and opportunities associated with the programme are identified, assessed and managed in order to reduce the potential impact on either schedule, cost or performance goals. Effective risk management is a programme-wide discipline, which requires the input of the Council, the SDP, and the wider team. By integrating risk management into the day-to-day management of a programme, threats and opportunities will be more effectively identified and managed.



#### Definition of risk

6.28 Risk management is a process that allows individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities.

6.29 With a risk event being “an uncertain event or set of circumstances that, should it occur, will have an effect on achievement of one or more objectives”.

*Identification of risks and opportunities*

6.30 The early identification of potential threats and opportunities is critical in providing for their effective management. Risk review workshops are regularly scheduled in order that all SDP parties and the wider team may provide input. Once a threat or opportunity has been identified it will be recorded on the risk register which acts as the tool to record and control the risk management process.

*Risk categories*

- 6.31 Risks will be categorised as to whether they are programme risks or project risks.
- 6.32 Programme risks are defined as those that will have an effect on the achievement of the programme’s objectives. These risks will require the consideration of the programme board when developing mitigation strategies.
- 6.33 Project risks, in contrast, are concerned with managing the individual risk events of (individual) projects within the overall programme. Management of these risks will be the responsibility of the SDP and wider team, with programme board input or approvals when necessary.

*Assessment of risk*

6.34 Further to identification, each threat and opportunity will be scored by assessing its probability of occurrence and impact on the programme objectives. The scoring is based on the following:

*Table 6.4 Scoring risk*

<b>Probability categories</b>	<b>Score</b>	<b>Risk categories</b>	<b>Score</b>
Unlikely	1	Very low	1
Possible	2	Low	2
Average	3	Medium	3
Probably	4	High	4
Certain	5	Very High	5

6.35 To calculate a risk rating the probability score is multiplied by the risk score. The probability and impact is assessed by the SDP and wider team at the risk workshops.

*Risk register*

6.36 The SDP maintain the live risk register for the programme, formally updating it on a monthly basis and issuing it as part of the programme manager’s monthly status report. This register is created through the risk workshops to highlight the potential threats and opportunities

throughout the programme. Mitigation measures are identified and assigned against the associated risks.

- 6.37 The SDP progressively monitor the implementation and success of these mitigation measures and include changes to these measures in the risk register updates.

*Risk contingency management*

- 6.38 On completion of the project risk register, a contingency sum will be agreed that should reflect the potential additional costs should such risks occur, and equally the benefit if an opportunity can be realised.
- 6.39 Programme risks cannot be costed in the same way as they require a longer-term view for the realisation of anticipated benefits or associated costs.
- 6.40 The Risk Register [REDACTED] details the broad range of risks across all aspects of the project. Of these, there are 6 that could be considered to have 'very serious implications', and 11 with 'serious implications', and these are summarised below.

*Risks with very serious implications on Cultural Heart*

*Failure to obtain full site possession*

- 6.41 The Cultural Heart site is wholly owned by Kirklees Council, but there are number of tenants that have existing leases [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

- 6.42 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] There is also the possibility of carrying out the construction work in phases to minimise the impact on the programme, however, this could increase overall cost.

*Cost of programme exceeds budget and additional funding not available*

- 6.43 Design work on RIBA Stage 2 for the programme has only recently been completed. While the overall budget of £210m has not been exceeded, there remains uncertainty and therefore risk over the developing budget estimate for Cultural Heart. One particular element of note currently is the invasion of Ukraine and its ongoing effect on the global economy.
- 6.44 This risk is being mitigated by ensuring that cost remains at the forefront of all design activity. The increasing rate of inflation is being closely monitored by the cost management team and Kirklees Finance Team. Cost management consultants are a core part of the project team and attend all relevant meetings and workshops to keep apprised of the developing design. There will also be a mid-stage cost review during RIBA Stage 3 to allow a more in-depth assessment of the programme budget as the design is further developed. This will give opportunity to revise designs should a cost overrun be identified.

***Failure to obtain planning permission***

- 6.45 If Cultural Heart was unable to obtain planning permission for the scheme, based on current proposals, then this would have serious implications. There would be delay and additional costs incurred while design proposals were reviewed and either the decision appealed, or the proposals revised and resubmitted.
- 6.46 Mitigations for this risk have included early engagement with the local planning authority and the various societies and stakeholders with influence over the planning process. planning consultation periods have been held before the proposed application submission date. These will enable potential challenges to be identified so that appropriate responses can be prepared.

***Failure to procure operators for the facilities***

- 6.47 The Venue, MSCP, and Food Hall are intended to be managed and operated by third parties. Failure to procure operators for those facilities would create serious consequences for the scheme as it would reduce potential revenue and increase the Council's current management responsibilities.
- 6.48 Papers detailing the procurement strategy for these facilities have been prepared. As part of that strategy, procurement is planned to start early to ensure that effective operators can be secured. As an alternative, Kirklees Council would also be able to step in and operate the facilities. While this would not be the desired option, it would enable proposed revenue streams to still be realised.

***Significant programme overrun***

- 6.49 There are a multitude of factors that could cause the programme to overrun for Cultural Heart. This is a considerable risk for the scheme as a key factor to the success of Cultural Heart is predicated on achieving the accelerated programme set out in the delivery strategy. Current and forecast rates of inflation mean that any overrun would carry substantial cost that could ultimately make the scheme unviable.
- 6.50 This risk is being mitigated by identifying and managing key risks that could result in a programme overrun and ensuring they are effectively managed. The risk register is reviewed at monthly risk workshops to ensure that any events that could cause potential delays are identified and promptly acted upon.

***Cost of operating exceeds the revenue budgets***

- 6.51 The Library, Museum and Gallery are all to be managed and operated by Kirklees Council. As part of the work to compile the OBC expected revenue budgets have been prepared. There is a risk that these budgets could be exceeded.
- 6.52 To mitigate against this risk, key stakeholders from each of the facility operating teams have been consulted as to the operation of the future facilities. The service heads have been given opportunity to review the outcomes of these consultations and provide feedback.

Additionally, a paper is being prepared to review expected revenue budgets and identify any shortfalls that would need to be met through future budget forecasting.

***Risks with serious implications for Cultural Heart***

- 6.53 Highways – gaining wider approval for essential works that are enablers to the programme. Also, the risk of works additional to the programme being included within the scope of the scheme. There is also the impact of temporary works relative to the Cultural Heart to consider in terms of drainage diversions and road closures. On a permanent basis there will be new junctions and remodelling of traffic flows. These risks will be mitigated by close and regular liaison with the Highways and Major Projects Departments throughout the design development process.
- 6.54 Listed building consents – several changes to the structure and finishes of existing listed buildings will be required to realise the proposed designs. Some of these require significant demolition and alteration and there is a risk that consent may not be granted for all or some of the proposals. Mitigation of the risk will be through regular liaison regarding the design with the planning authority and the various societies that influence the decision to ensure that their opinions are understood and, where possible, considered within the design.
- 6.55 Ground conditions and contamination – there is a risk that there may be issues with ground conditions and contamination on the site. The mitigation strategy for these is to carry out early intrusive surveys and investigations to ensure that any hazards are identified so that strategies can be put in place to limit the impact on the scheme.
- 6.56 Existing structures (including retaining walls, buildings, service tunnels) – there is a possibility that the existing structures are in poor condition and may require extensive remedial works adding both cost and time to the programme. Intrusive surveys will be used to identify these so that the design can be developed to mitigate the associated risks.
- 6.57 Inflation – the conflict in Ukraine has resulted in inflation rising and this is affecting construction costs. Inflation is being monitored and there is a contingency included for it in the budget estimate. The accelerated programme has also been developed to reduce the delivery timescale to reduce overall costs.
- 6.58 Contractor market – the market for contractors is currently volatile and contractors are unable to hold prices for very long. This has created uncertainty for projects, particularly for a scheme as large as Cultural Heart. A buyers day event was held to ensure early engagement with the market. A contractor procurement strategy has been developed to incorporate a PCSA and design and build contract to ensure that the contractor is part of the journey with the scheme.
- 6.59 Change in Brief – scope change creates uncertainty around design certainty, the budget and the programme for the scheme. As Cultural Heart moves into RIBA Stage 3 the design is becoming more defined and, therefore, potential fluidity is reducing. Consultations with key stakeholders allow views to be taken onboard during the developing design process resulting in fewer changes at review points.
- 6.60 Site logistics – the scheme occupies a town centre site and this has implications. There are issues regarding safe access and egress and there are constrained space restrictions to

consider. The needs of neighbouring tenants and property owners outside of the red line boundary also need to be considered. These risks are mitigated by developing a construction strategy that considers all these elements into account to ensure potential disruption is minimised.

- 6.61 Interface with other town centre projects – there several direct and in-direct projects that could be progressing at the same time as Cultural Heart. These are both private developments and other Kirklees Council led schemes, such as proposed works to Queensgate Ring Road and Queen Street/Cross Church Street and King Street. To mitigate the effect of these adjacent projects on Cultural Heart it is important to identify these and have early engagement with the project owners and key stakeholders in order to ensure that any potential interfaces are carefully managed.
- 6.62 Additional scope requirements due to insurance conditions – consultations with stakeholders could identify issues that will result in additional measures needing to be put in place by Kirklees Council's insurers, e.g. fire suppression and controlled environmental requirements for artwork. It is important these are identified early and collated so that strategies may be put in place for early engagement/liason with the correct organisations and the requirements can be included in the design.
- 6.63 Additional statutory requirements – stakeholder engagement may result in scope changes that will result in additional statutory requirements. These need to be identified early within the design development process to ensure that the relevant statutory bodies can be liaised with in order to integrate any required measures within the design.

#### **Post implementation and evaluation arrangements**

- 6.64 The project will be monitored and evaluated by the SDP against the projected timeline, financial allocation, and project outcomes. Progress reports will be made on a regular basis to the Programme Board. Overall performance will be measured against the Programme Objectives and Aims set out in section 3.
- 6.65 A thorough and robust project evaluation will be undertaken at key stages in the process to ensure 1) benefits will be realised and 2) positive lessons may be learned from the project.
- 6.66 An Evaluation Framework will be developed within the Benefit Register that codifies the project's outlined Benefits, Objectives and Strategic Fit, following a best practice approach. As part of the next development phase, a logic model will be created to link project outputs and long-term outcomes. A programme of ongoing data collection and research, such as surveys and interviews and focus groups, will be used to measure performance.
- 6.67 Once the Cultural Heart is operational, maintenance and review of project outcomes will transfer to an identified responsible person.

#### **Contingency arrangements and plans**

- 6.68 Contingency plans and arrangements have been identified throughout this document with regard to programme, financial arrangements, and operation. Affordability will remain a key concern and metric by which the project will be assessed. In that regard, there are several

options that will be explored should affordability become a primary issue following market assessment. These include (in no specific order):

- Don't proceed with the project
- Kirklees Council provides additional investment
- Consider other tenderers
- Reduce scope of work / value engineering
- Re-phase one or more of the building elements.

### Procurement

6.69 It is the procurement strategy which forms the fundamental implementation of the Cultural Heart Programme and defines the interfaces and relationships between the parties, a key ingredient in successful delivery. The strategy also incorporates the key recommendations of The Construction Playbook – December 2020 ([publishing.service.gov.uk](https://publishing.service.gov.uk)).

6.70 The Procurement Strategy Report (Appendix J) provides the detail of this approach and is informed by several workshops, the objectives of which were to develop and establish the working assumptions on the key risks, constraints and priorities addressing a procurement solution. These assumptions were tested at the Buyer's Day for main contractors. The workshop and Buyer's Day details are set out below:

- A preliminary procurement workshop held on 26th August 2021 and chaired by Turner & Townsend
- A second procurement workshop held on 30th September 2021 and chaired by Turner & Townsend
- A third procurement workshop held on 15th February 2022 and chaired by Turner & Townsend. This report captures the discussions and recommendations of the workshops
- A main contractors' buyers day was held 22nd April 2022 following which a survey was completed to test a number of working assumptions.

6.71 Table 6.5 overleaf sets out the working assumption for the procurement strategy, with the detail outlined in Appendix J.



**Table 6.5 Buyer's Day assumptions**

Element	Working assumption following Buyer's Day	Comments
Procurement	<ul style="list-style-type: none"> <li>• Restricted two stage process</li> <li>• Open Market Selected Questionnaire</li> </ul>	
Tender	<ul style="list-style-type: none"> <li>• 2 stage tenders with PCSA. First stage to be on OHP and quality.</li> <li>• OHP and PCSA to be fixed with lower limits</li> </ul>	
Design team novation	<ul style="list-style-type: none"> <li>• Architect to be novated</li> <li>• Engineer to be retained for client-side services</li> </ul>	
Design development stages	<ul style="list-style-type: none"> <li>• RIBA 3 for PCSA stage tender</li> <li>• RIBA 4 -5 developed under PCSA</li> </ul>	
Form of Contract	<ul style="list-style-type: none"> <li>• JCT D&amp;B</li> </ul>	

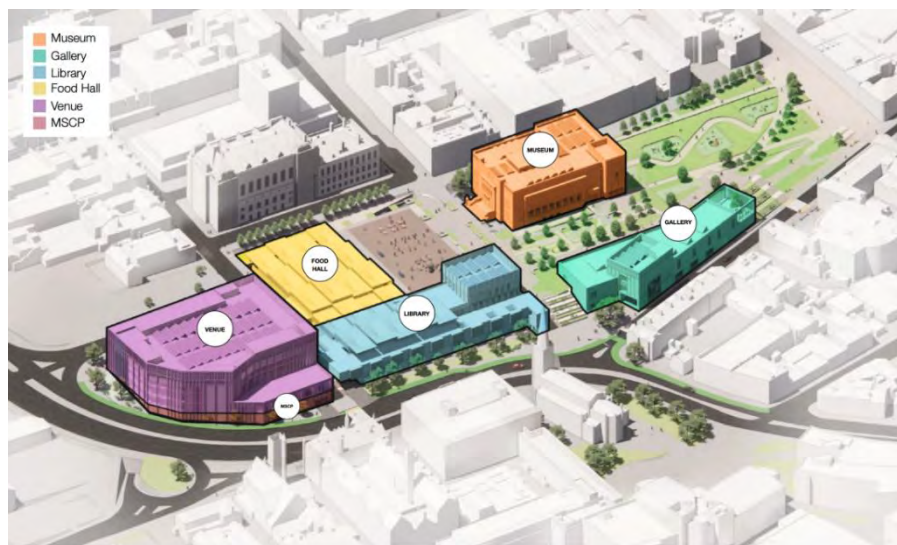
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## 7. Summary and contacts

### Introduction

- 7.1 This OBC has been updated following receipt of the Stage 2 designs, the revised capital development costs from T&T, financial updated information from the Council finance team and a review of the throughputs for the varying facilities.
- 7.2 The original SOC set out the strategic context for the Cultural Heart project. Over 150 original options were considered against the Council objectives, then narrowed down to 13-14 options from which there were three key options assessed in more detail. The proposals in this document are developed from that foundation - they support a strong case for change with a series of options considered in detail and a clear Preferred Way Forward, which is confirmed from a commercial and socio-economic perspective. In summary:
- Option 1 – Do Nothing  
Does not deliver against the strategic objectives set for the project but would allow continuation of service in the absence of an agreed way forward, limited regeneration benefits. Overtime it would result in poorer cultural service levels and undermine the wider regeneration strategy for the Borough.
  - Option 2 – Do Minimum  
Provides significant investment in new assets and improves service quality, although the investment does not produce economic benefits/use levels commensurate with costs - annual operational costs are similar to the preferred way forward (PWF). Overall, the least efficient of the options considered (BCR lowest but above 1). If the PWF were deemed unaffordable, then this option's mix of venue throughput and operational costs would need to be revisited.
  - Option 3 – Preferred Way Forward  
The option requires more investment than required in Option 2, but is projected to increase the volume of leisure and cultural activity (through the new venue, M&G and outdoor space). This drives incremental benefits and maximizes the public value generated (highest NPV) with an improvement in efficiency (higher BCR than Option 2). The BCR at c1.5 is the lower end of the medium VFM category: this does suggest that capital and operational costs need to be carefully managed and realisation plans developed to maximize economic, social, and wider regeneration benefits.
- 7.3 The PWF masterplan is shown overleaf:

**Figure 7.1 PWF masterplan**



7.4 The headline financial implications from the PWF are outlined in Table 7.1 below:

**Table 7.1 PWF headline financial implications**

Capital Development Budget	
Capital Develop Budget	£210m
FF&E	£10m
Revenue Costs	
Net Annual Additional Cost	£12.5m
Pre-opening Costs	£4m
Economic Outputs	
Net Additional Expenditure	£18.1m
Net Direct, Indirect, Induced Jobs	298
Net Direct, Indirect, Induced GVA	£10.2m
10 Year GVA	£102m
BCR	1.5

7.5 It is clear the Cultural Heart proposition will have various positive impacts on Kirklees – economic, social and cultural – each of which has value, and are outlined in the Benefits Realisation. The local authority has a responsibility to consider the non-monetary benefits of investment including the material change that can be made to the physical environment, personal wellbeing of citizens and communities, civic profile and reputation, as well as the custodianship of local heritage and culture. While there is an obvious economic benefit to the overall development, it is perhaps these other impacts that will have the most significant and lasting change on Kirklees residents and visitors.

7.6 Contextually, the Cultural Heart represents not just an ambitious civic development but a strategically significant counter to the various adverse external economic and social conditions that are both extant and likely to face Kirklees in the coming decades including macro-economic forces (such as the current cost-of-living crisis), changing nature of city centres, evolving patterns of consumers’ leisure behaviour and climate change.. As such, the

development represents a careful and well-judged investment for current and future generations.

7.7 There is a full Executive Summary at the beginning of the Outline Business Case.

**Contact details**

7.8 For further information about any aspect of this report please contact:

[Redacted]

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