

Project Explore: Feasibility Study

Exeter City Council

November 2019

In partnership with:

Hopkins Architects

Equals

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1 Introduction

1.1 About this report

This report draws together the Project Explore feasibility work led by Fourth Street and supported by Hopkins Architects and Equals Consulting. This includes: the evolution of a notional event programme for a new venue in the city centre; the definition of a spatial brief and its translation into a concept plan; a high-level assessment of the site and location options; a preliminary capital cost estimate and a 25yr operational financial projection.

The proposals and assessments set out in this report have been derived through an iterative process, involving Exeter City Council (ECC) and supported by a targeted programme of research and sector-specific consultations.

2 Background

2.1 Exeter Vision for 2040

Exeter City Council (ECC), together with its partners and communities, is working towards a new city vision for 2040. The emerging vision, set out in the corporate plan 2018-2021, describes the aspirations for 2040 in six areas. These include: *Innovative and analytical city; Health and inclusivity; The most active city in the UK; Accessible world-class education; Liveable and connected; and, A leading sustainable city.*

A new city-centre multi-purpose venue, that showcases and promotes a broad and accessible range of events and performances – covering arts, cultural, sport and business sectors – has the potential to support the emerging vision across all the identified areas, notably: *by contributing to the health and wellbeing of the community through more active social lives, both physically and mentally; supporting and championing education and training in the arts, culture and event arenas; stimulating and supporting the night-time economy of the city centre; and being a beacon for sustainability.*

While this feasibility study is concerned with the development and operational viability of the venue itself, it is important to acknowledge the significant wider contribution it could have on the city's future and prosperity. To this end, its support for the wider vision of the city will be an important consideration for its business case i.e. making the city a more attractive as a place to live, increasing graduate retention, reinforcing the city's brand and perception.

2.2 Exeter's Arts and Cultural Strategy

Exeter Culture¹ recently commissioned TFCC² to work with arts and cultural stakeholders in the city to produce a new place-based Arts and Cultural Strategy. The strategy is anticipated to be published in mid-2019. Part-way through the study, a set of emerging themes were identified that resonate strongly with the proposed development of a new multi-purpose arts and cultural venue for the city centre. These themes included: *City of Culture for the Environment; City of Cultural Wellbeing; City of Heritage Innovation; City of Creative Making; City of Cultural Literacy and Learning; Creative making; and, Cultural partnerships and exchange.*

2.3 ECC's Culture Budget

In 2018, the ECC identified a need to modernise the community and arts grants programmes and began a review. Following the review, ECC set a budget that included a reduction in the General Fund budget for community grants of £290,000 for 2019/2020 and a further £210,000 for 2020/2021. As part of the changes, a new Exeter Grant Programme is being introduced in order to protect cultural activities from the long-term effects of austerity. ECC's financial support for the city's NPO's remains unchanged. The new fund is being drawn from the Neighbourhood Proportion of the Community Infrastructure Levy (CIL)

¹ Partnership supported by Arts Council England, University of Exeter, Exeter City Council, Exeter College and InExeter

² <http://tfconsultancy.co.uk/>

and consists of an annual amount of £1,065,000. This figure will be reviewed on an annual basis and the allocated budget could increase or decrease depending on available funds. As a result, whilst steps have been taken to try and protect investment in Exeter's cultural activities, it cannot be assumed that ECC would be in a position to subsidise a new venue.

2.4 Background to the City-centre Development Site Opportunity

In 2017, when the New Entertainment Venue Needs Assessment was produced, Crown Estate, in partnership with ECC, were proposing a retail-led redevelopment of the city-centre land bordered by Paris Street, Sidwell Street and Cheeke Street. The scope for the Needs Assessment's high-level consideration of possible sites across the city, on which a new entertainment venue might be located, therefore excluded this city-centre location.

Between May and July 2018, the Needs Assessment report was published, and a public consultation exercise run to seek views on the findings. The results, which combined online and on-street surveys³, expressed overwhelming support for a new venue to be located within the city centre and be multi-purpose, and for it to aid the regeneration, night-time economy and reputation of the city. The need for better transport links was cited most regularly when participants were invited to comment on any issues relating to a new venue.

In September 2017, Crown Estate withdrew their support for the retail-led scheme, based on the declining strength of that market.

A subsequent report prepared by JLL and Clifton Emery Design⁴, commissioned by ECC, set out a new vision for this city centre site. This supported ECC's announcement in November 2018 to back the development of the Sidwell Point Leisure Centre, which is now under construction.

To inform the next phase of development planning for this large city-centre area, ECC has commissioned this feasibility study to explore the concept and viability of integrating the multi-purpose venue. The indicative masterplan arising out of the JLL / Clifton Emery Design work, included in Figure 1 below, formed the basis for our feasibility study brief and indicative an initial preference for the location for the multi-purpose venue. However, this location was not fixed and this study has looked at the pros and cons of different locations across the site (although the location of Bus station and St Sidwell's Point leisure centre are fixed).

³ The survey attracted 551 on-street interviews and 1,633 on-line responses.

⁴ Exeter Bus and Coach Station Site – Creating a new mixed-use quarter for Exeter, Development Strategy – November 2018, JLL & Clifton Emery Design

Figure 1. Indicative Masterplan



2.5 Future of the Northcott Theatre

The Northcott has signalled its intention to remain in its current location on the University's Streatham campus, with a plan to expand its current capacity of 464 to 600 within its existing envelope and improve its F&B offer. This aligns with the University's ambition to develop a cluster of cultural infrastructure on the campus, which will see the expanded theatre joined by the re-presented Bill Douglas collection⁵. The University has been exploring these and other possible initiatives through its Cultural Infrastructure working group that has involved the ECC officers and has run alongside this feasibility study.

The Northcott's decision to remain where it is has an important bearing on the programming of a new city-centre venue. While the Northcott's programme has evolved recently to include a greater range of genres (its current advertised programme contains approximately 26% theatre, excluding pantomime, with the remainder being largely comedy and a mix of music, opera and talks), its principal purpose remains a theatre, both as a receiving house and a co-producer. Given the scale of the Exeter market, care has therefore been taken to avoid developing a new venue that is overly reliant on or designed specifically for theatre and in doing so, compete directly with the Northcott.

The Northcott has expressed an interest in staging theatrical performances at a larger city-centre venue to take advantage of greater capacity and ticket sales. The volume of these however – as a proportion of the overall programme at either the Northcott or a new venue – will be relatively low.

⁵ <http://bufvc.ac.uk/archives/index.php/collection/515>

2.6 The University's Great Hall

The Great Hall is the largest indoor seated capacity venue in Exeter capable of hosting music gigs and concerts. Notable acts have played the Great Hall in the past and it continues to host a range of public events – mostly classical music – including regular events by the Bournemouth Symphony Orchestra. However, the University has reiterated, through this study, that the Great Hall is a core university asset, used for lectures, examinations and graduation ceremonies. Although public events are programmed with the Great Hall, they inevitably compete with these core uses and the commercial return from hosting private conferences during holiday periods.

2.7 Future of the Corn Exchange

The Corn Exchange is owned and operated by ECC. Despite limited capital investment in the facility for many years, the Corn Exchange continues to perform well, delivering a broad range of popular content including *children's, comedy, dance, film, music* and *general entertainment* covering fairs, markets, festivals and other one-off events.

A design-led study was commissioned by ECC in 2012, which looked into a range of refurbishment options and the feasibility of increasing the Corn Exchange's capacity from 500 to 750. The results of this study supported a successful capital grant application to Arts Council England to implement the preferred option that was costed at £1,050,000⁶. However, the project was never executed and the grant award lapsed.

The assumption regarding the future of the Corn Exchange, should a new multi-purpose venue be developed, has not changed since the *Needs Assessment* was undertaken in 2017. That is, some of the Corn Exchange's programme – notably, the commercial elements and shows that have a larger audience demand – could be displaced into the new venue while the remained could either continue to be staged within the Corn Exchange or be displaced into other venues around the city.

ECC has held back on committing capital expenditure on the Corn Exchange until its longer-term function and use has been determined.

Even if a new development comes to fruition, it would be worth considering retaining the Corn Exchange in its present form until the Fore Street area is redeveloped. It would mean changing the emphasis of the venue to be more community orientated and it would mean that the venue's current profitable status would in all likelihood become a cost. The venue is situated above retail units and a car park which currently earn the Council in the region of £300k pa. An alternative use for the Corn Exchange itself is not immediately obvious so it might be worth committing a small amount of revenue funding to continue operating the venue if a study of the recent structural survey shows this to be practicable.

A revised programme for the venue would include much of its present programme – council events, dances, examinations, blood donor sessions, smaller conferences, fayres and stage events which do not

⁶ Estimated construction cost (with various exclusions including any works forward of the new balcony, VAT, professional fees, surveys and others) presented within Harris McMillan's feasibility study report dated 26/09/2012

target audiences above 500. If the new venue was run by the council this would also allow pooling of financial and other resources.

2.8 Sector-specific Consultation

To inform this feasibility study, the team has consulted with a range of organisations and individuals with an interest in Exeter⁷ as well as sector-specific experts including venue operators, event promoters and specialist contractors. These consultations were held in confidence, as was the case during the Needs Assessment study, to provide valuable insights and current market intelligence, to inform the feasibility work.

⁷ Daniel Buckroyd – Northcott Theatre; Patrick Cunningham – Exeter Phoenix; Seth Honnor – Kaleider Limited; Nikki Sved – Theatre Alibi; Rob Bosworth – Exeter College; Peter Goodwin – NEVAG; Ceri Johnson – Arts Council England; Dom Jinks – Exeter Culture; Tom Fleming – Consultant for Exeter’s Cultural Strategy; Dave Lewis & Sian Ewer – Exeter Corn Exchange; Hannah Rundle, Chris Evans, Sarah Snow, Steve Whyte – University of Exeter; Dougie Scarfe – Bournemouth Symphony Orchestra.

3 Venue Brief

3.1 Audience Capacity

The further consultations undertaken during this feasibility study have reaffirmed the view that a seated capacity in the order of 1,200 should be targeted. This reflects the combination of potential audience demand, existing venue provision, operational viability and the vision and ambition of the city's cultural partners. A maximum seated/standing capacity is then achieved by 'stretching' the auditorium's ancillary spaces i.e. means of escape, toilet provision, food and beverage provision etc.

Importantly, the 1,200 seated audience capacity is a *target* not a *requirement*. If the scheme at this capacity level is undeliverable, for whatever reason, then a lower capacity will need to be considered. Through the process of this feasibility study, and based on a combination of the market analysis, partner ambitions and economics of the scheme, it is advised that the minimum seated capacity should not fall below 1,000.

3.2 Programming Mix

The adaptability of the venue and its design brief has been informed by the potential programming mix. The programme that has been derived from this – set out in Section 6.2.1 – is based on year-3 trading assumptions, and therefore takes account of the need to build audience recognition and market-confidence in the venue and its programme. At this stage, the programme should not be viewed as definitive but as a tool to inform and test design assumptions, capital cost projections and business planning variables.

Set out below are the key considerations for the likely range of event genres and formats – informed by the stakeholder consultations undertaken during the 2017 Needs Assessment study, updated with recent dialogue and further input derived from informal conversations within the venue and event sector.

3.2.1 Theatrical Productions

- If Exeter aspires to host touring commercial theatre of scale and national profile, these are likely to require a fly tower for the foreseeable future. The main reason for this is that with most of the product being designed to play to conventional theatres in London, all with fly towers, producers will not be inclined to stage such productions in facilities where a fly tower does not exist, particularly when other venues in the region can accommodate the production without much adaptation. This is despite the technological advances that are influencing production design and the equipment housed in fly towers.
- There are different views on whether Exeter can successfully compete with the theatres already established in the region for such commercial touring productions. Regional competition can be healthy for the sector but is also politically sensitive.

- The Northcott Theatre, as part of the University's arts quarter development proposals, is considering plans to expand its capacity within its existing envelope from 464 to 600 seats. Creating a venue in the city centre which competes for both content and audiences is potentially harmful for both venues. Clarity of purpose and differentiation is required for each to successfully co-exist and an alignment of their respective programmes.
- Commercial touring theatre is usually booked with a c.6 months lead time. A market like Exeter, with a purpose-built facility might expect to host between 9 and 12 shows per year of one-week duration and with 8 or 9 performances over 6 days. With efficient purpose-built load in and out facilities, these week-long shows could get in and out within the 7-day window. The strongest seasons for theatre coincide with music and comedy gigs. Blocking out the venue for a week-long theatre booking will result in some other events being lost.
- If a fly tower cannot be accommodated either physically, technically or financially, any aspiration to include theatrical productions befitting of the venue's scale will require well-proportioned backstage areas capable of supporting ground based theatrical equipment.
- Pantomime is a dependable event that can attract a broad audience demographic and can also stimulate significant civic pride and cohesion. It does prevent other event types being hosted and so needs to be programmed with the wider venue needs and competing offers elsewhere in the city in mind. If the technical ability to intersperse some longer resident theatrical productions with other event types in between performances can be included in the venue design, it would be worth considering e.g. stage access and storage, audience sight lines for different event configurations etc.

3.2.2 Music Based Events

- To attract profile acts, Exeter requires a venue with the ability to accommodate a significantly higher capacity than the existing city-centre venues. Creating a space that can 'stretch' up and down from a 'natural feeling' c.1,200 seated capacity for high profile comedy up to c.2,000 standing/seated for music gigs, and down to c.900 for more intimate performances will be key to aggressively programming the venue.
- Despite what is stated in section 2.6, if the programme of University's Great Hall includes more music gigs and concerts, this will present competition and reduce the number of events for both venues and potentially, suppress rentals levels. A city centre venue will be preferred generally by the market. The Great Hall has quite poor load in facilities and has competing internal demands (i.e. core university use and conferencing notably). A purpose-built venue in the city centre must have better provision and specification to support an aggressive event programme.
- The Lemon Grove primarily serves the students on campus. The future programming of the potential city venue needs to appeal to the university students as well as city residents (note, approximately two thirds of students live off-campus). This may include regular themed music events such as '90's night'. With a clear demarcation in programming between the two, both

should succeed. The city centre site will need to consider acoustic protection to support a premises license application for extended hours beyond 11.00pm.

- There is a broad consensus that a wider range of event types helps sustain a venue directly and indirectly, insulating against peaks and troughs in each type, as well as helping audiences to transition from one to another. Whilst full orchestral events may still be best hosted within the Great Hall and Cathedral, the new venue should ideally have the acoustic qualities to provide a great sound environment for more than just amplified music i.e. smaller classical music / chamber ensembles. Consistent with the previous study, our assumption is that a new multi-purpose venue should not be seeking to host larger classical music formats, which would be prohibitively expensive to achieve and stretch the venue's flexibility too far.
- The appeal of the venue for different audiences will be influenced by both the programme and the aesthetics of the venue. Achieving the right ambience, fixtures and fittings which accommodates the variety of audiences will be a key task and challenge, along with the technical and support aspects of the venue.

3.2.3 Other Event Types

- To be sustainable and successful, the new venue will need to take some events from the Corn Exchange. Comedy acts with higher audience potential are the most obvious examples, but to provide a diverse programme of events, which is desirable to build audiences across event types, other events will need to migrate and grow. This raises the question of the future programming of the Corn Exchange and how each of the city venues fit into the new city-wide ecosystem.
- Working collaboratively with the Exeter Phoenix will also be important to support the growth of their events and promoters towards a net gain for both venues.
- The success of the venue will be strongly influenced by getting Exeter onto 'the circuit' for larger tours. To this end, the city's range of venues should work towards this goal collaboratively.
- Comedy is likely to be a key contributor to both the programme and venue revenue. Ancillary food and beverage (F&B) sales tend to be higher than other events (assuming enough time is provided around the performance – during, after and intervals) and, with faster get in and outs, they lend themselves to aggressive programming.
- The venue needs to be able to flex the F&B offer to capitalise on such events, whilst being able to downscale to make lower demand events cost effective. This flexibility includes the product offer for each event type. Generally, audiences are becoming more discerning, are drinking less but eating out more. The proximity of other offers in the vicinity of the venue will also heavily influence the optimum F&B provision.
- Accommodating sport event formats should also be included in the design. Whilst the volume of sports events may not be comparable to music and theatre, they can attract new audiences and provide a different media profile. Sports to consider include: wrestling, combat sports, darts,

snooker and pool – most of which lend themselves to a 360-degree audience seating configuration i.e. arena style with small staging format. Sport events requiring larger staging formats like tennis, basketball, gymnastics or dance might be conceived as ‘exhibition’ events rather than commercial, only if there is enough floorspace and capacity.

- The other event types to be accommodated in the design and programme should include: trade fairs, conferencing and awards dinners. These types of event illustrate the need for flexible design solutions that enable the spaces to easily and swiftly adapt to a diverse range of uses (some of which cannot be predicted at this stage).
- Cinematic events and ‘talk’ events supported by cinematic presentations should also feature. The ability to stream content and permit audience interaction requires a high level of IT connectivity. This functionality also supports corporate hires and media launch events.
- The interplay between the neighbouring Leisure Centre will be important logistically, as it could extend to hosting ‘city festival’ type events where multiple venues are used. Being able to programme the venue irrespective of activity in the leisure centre will be critical.

3.3 Fly Tower or No Fly Tower?

A key issue for this study is whether the new venue should include the capability of flying and storing scenery above the stage, a large orchestra pit and related ancillary facilities. For short-hand and simplicity, we refer to these variations as either having a ‘fly tower’ or not.

There is no right or wrong answer for this rather, a series of trade-offs that require measured consideration.

From a programming perspective and given that the venue is being developed to cater for multiple event genres and formats, the maximum volume of programme that would likely demand a ‘fly tower’ capability would be unlikely to exceed 25% per annum (and probably less). With little alternative uses for a ‘fly tower’, it would effectively be made redundant for the remaining 75% of the programme.

As noted earlier, the Northcott’s decision to remain at its existing location, albeit with plans to expand, means that smaller format theatrical productions – with ‘fly tower’ requirements – will still be provided for within the Exeter market-place.

There is no doubt that the exclusion of a ‘fly tower’ would eliminate certain shows from coming to Exeter – notably, larger commercial touring theatre and subsidised national / international touring shows. However, these types of shows currently tour to other venues within the region (such, as the Theatre Royal in Plymouth) which, despite not being on the doorstep, are still within a reasonable travel-time for Exeter residents.

Conversely, if one were to include a ‘fly tower’, the new venue would effectively be going head-to-head with established venues like the Theatre Royal to attract the larger and more commercial touring theatre shows. While competition can be healthy, it is important to acknowledge that the Theatre Royal is heavily subsidised; has established relationships with national producers and promoters; has almost double the

population of Exeter within their respective urban catchments, which affords greater ticket-sale capacity; and has the additional capability of the TR2 production and learning centre.

The inclusion of a 'fly tower' should not increase the overall capital cost of the scheme substantially in its own right. However, the additional adaptations to provide the necessary flexibility of the venue to cater for the broad range of all event genres and formats could be significant, as could the increased operational demands and costs involved in regularly adapting the space.

The combination of the above has led our team and the ECC officers to light on a preferred option that excludes a 'fly tower'. This decision and the implications that are described above, have not been taken lightly and acknowledge that once the venue has been delivered, the 'fly tower' decision cannot be reversed. As such, it should be viewed as a once-in-a-generation decision for Exeter.

3.4 Spatial Brief

The Apex in Bury St Edmunds was referenced within the Needs Assessment study as a relevant comparator for Exeter notably for its flexibility, integrated development, quality and (relatively) recent construction. Of all the other venues that have been reviewed as part of the Needs Assessment and this study, it has remained one of the most relevant case studies.

Hopkins, the design consultants within our team, were the architects of the Apex scheme and have adopted the Apex's spatial programme as the model for generating the preliminary spatial brief for the new venue in Exeter. The spatial brief, which is based on the minimum seated capacity threshold of 1,000, is summarised in Figure 2 below and has been through a review and challenge process internally by in our team and with sector-specific consultees.

This spatial brief has then been translated into an indicative layout plans (see Section 4.1) to provide an indication of the overall building footprint, and therefore inform the site assessment exercise as well as the capital cost estimates (see Section 5.1).

Figure 2. Spatial Brief

<i>Space</i>	<i>Area split for Apex, Bury St Edmunds</i>	<i>Exeter: 1,000 seated capacity (theatre layout)</i>
Foyer	9%	569
Circulation	15%	933
Auditorium	14%	845
Bar & Restaurant	20%	1,225
Sanitary Provision	5%	297
Performer Spaces	6%	353
Admin & Conference Spaces	7%	420
Technical Spaces	1%	60
Plant & Service Spaces	23%	1,389
	100%	6,090

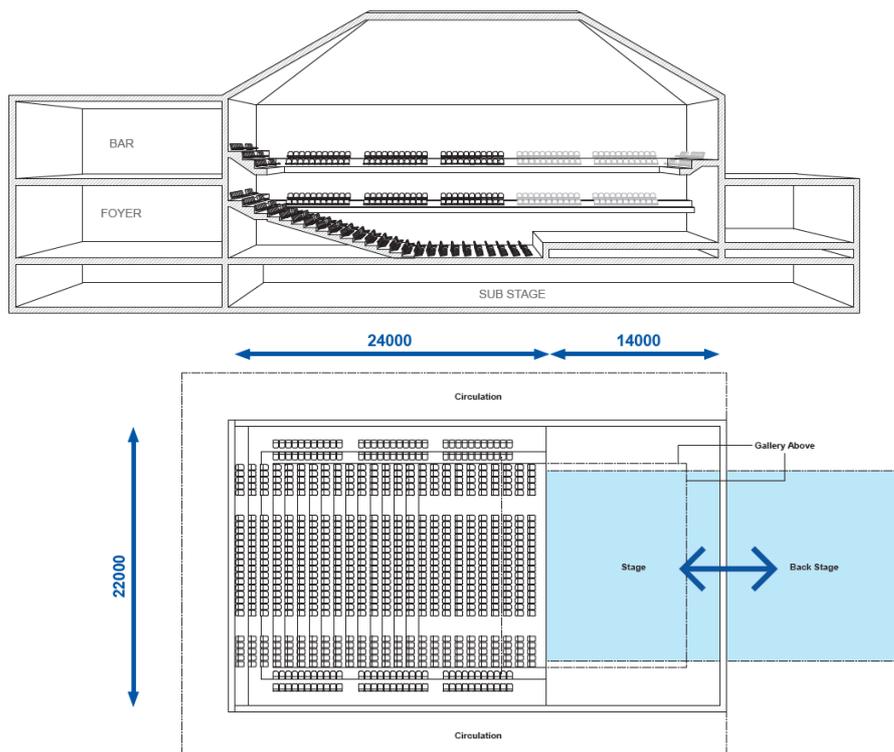
4 Concept Plan & Site Location

4.1 Concept plans

The spatial brief from Section 3.4 has been translated, by Hopkins Architects, into a series of concept plans showing different configurations of the auditorium to address the multi-purpose programming requirements. Further configurations will be possible depending on stage size and layout, opening-up or closing-down balcony seating, auditorium draping etc. Overall, these concept plans address the range of programming requirements for the venue, as described in Section 3 above. By way of summary, the minimum capacities that can be achieved for the three main configurations of the auditorium are:

- Theatre layout: 1,000 seated capacity. Note, the shaded seats (totally 220) illustrated in Figure 3 are excluded from this figure to permit the largest stage configuration and to avoid audience site lines being restricted. For shows requiring smaller stage configurations (e.g. comedy), some of these seats could be reinstated.
- Concert (pop/rock) layout: 1,750 total capacity made up of 1,350 standing and 400 seated. Again, the shaded seats (totalling 220) illustrated in Figure 4 are excluded from this figure.
- Arena Layout: 1,400 capacity with a stage configuration that is assumed to accommodate shows like boxing, combat sports, snooker, smaller theatrical performances etc.

Figure 3. Theatre layout: 1,000 capacity (with 220 seats not in use)



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Figure 4. Concert layout: 1,750 seated (400) & standing (1,350) capacity (with 220 seats not in use)

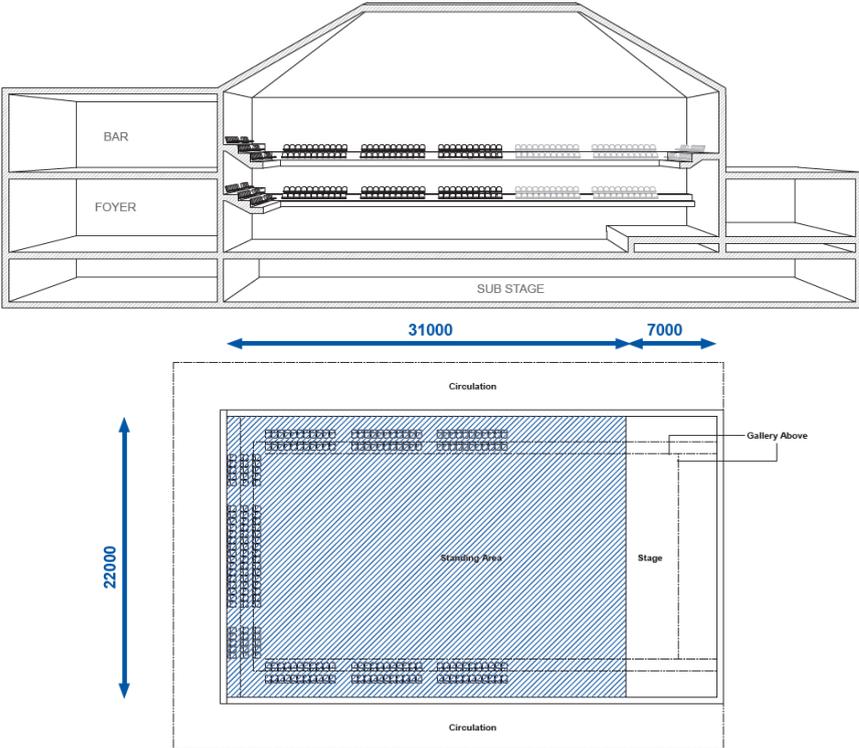
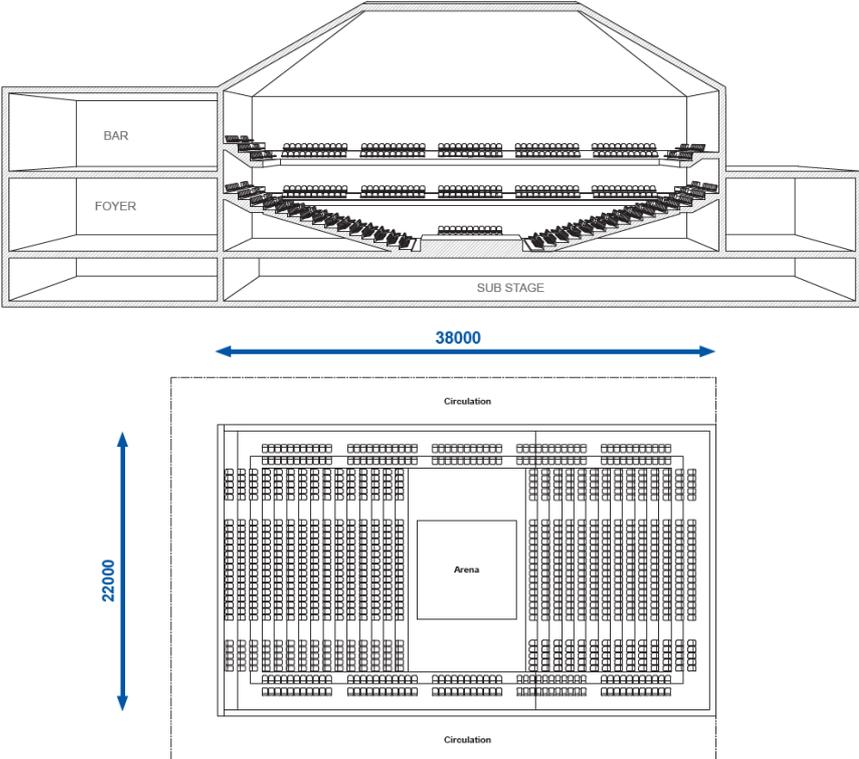


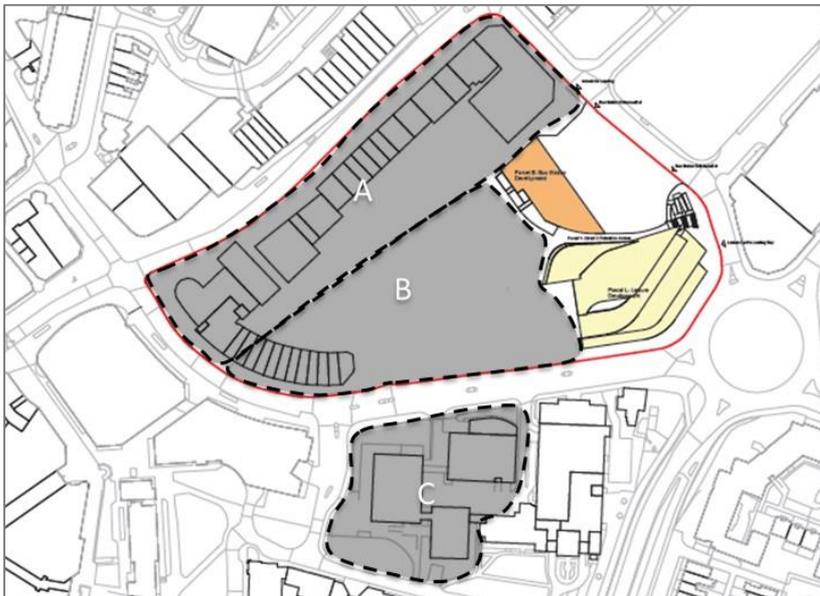
Figure 5. Arena layout: 1,400 capacity



4.2 Sites' Assessment

The concept plans have been translated onto the indicative masterplan that arose out of the JLL and Clifton Emery work to assess the pros and cons of sighting the venue in different locations. As noted earlier, the St. Sidwell's Point leisure centre and Bus station are fixes, with the former now under construction. ECC is the freehold owner for all lands under consideration. The perimeter buildings running along Sidwell Street and to the western end of Paris Street (marked in outline in Figure 6 below) are held on long leases, mostly granted between 1958 and 1964 for 99-years.

Figure 6. Development Sites



Appraising the location of the venue within the site boundaries independently from a detailed masterplanning exercise means that some key questions inevitably remain unanswered. Accepting this, the team considered the entire lands available.

While the most practical location for the venue – from a construction and operational perspective – would be on the highest and flattest lands available, which are also closest to the city centre (i.e. marked as “A” in Figure 6 below), these are considered to have the greatest development value and are also subject to existing leaseholds. In discussion with ECC, the team was encouraged to discount location “A” and focus on locations “B” and “C”. These are illustrated in Sections 4.3 and 4.4 below and the key issues and trade-offs listed.

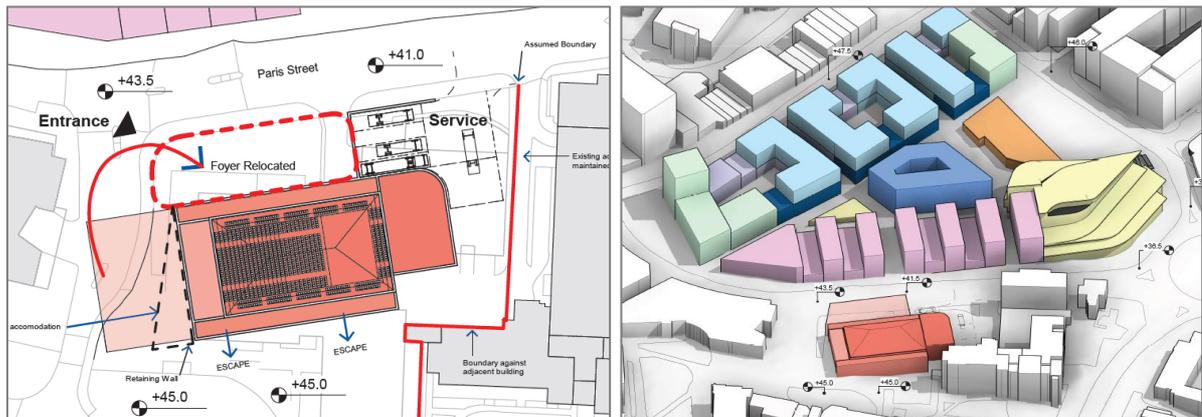
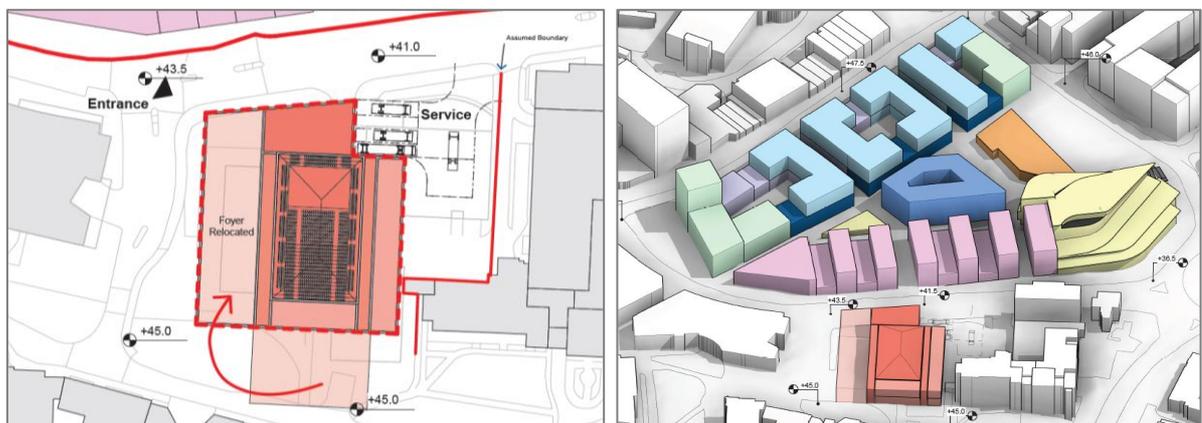
The scale of the venue's footprint means that its actual location and orientation within either of the locations is actually quite limited. In generally, where one is dealing with a sloping site, the preference is to have load-in/out facilities at stage level and accept that audiences will be moved up and down through the building. While this is not ideal for audiences, it means that the venue can be programmed more aggressively, and the operational risks and resource demands be reduced.

For all options, it is assumed that loading facilities will be internalised so that noise can be minimised during the load-in/out of shows during the night, to permit a more aggressive turnover of the venue.

4.3 Site Option (1): Replacing the Existing Civic Centre

In locating the venue on the site of the existing Civic Centre buildings, illustrated in Figure 7 below, the following notes are made:

- For this site option, there are two ways that the building could be orientated – either with the length of the building running north to south or, east to west. While there are pros and cons for both orientations, lying north to south sits more naturally.
- The site is constrained from the east by the existing car park entrance off Paris Street and from the west by Southernhay E road.
- The site constraints impose greater limits on the extent of supporting accommodation (i.e. the retail / food and beverage spaces.) than Site Option 2 described in Section 4.4 and illustrated in Figure 9 below. However, the venue’s orientation lying north to south appears to provide greater opportunity to address the requirements of the venue’s brief than an east to west orientation.
- The foyer has to be relocated to the side of venue due to the constrained nature of the site, but this does provide an active frontage onto Paris street (and Southernhay E for the north to south orientation). Both orientations create a lop-sided building which from an operational perspective would not be ideal and could affect audience movement and negatively impact on spend per head.
- Loading off Paris Street is assumed from the eastern side, where levels are lower. This allows for stage-level access i.e. stage and backstage are at the same level.
- Change in levels across the site necessitates considerable excavation and retaining structures.
- Its location on the south side of Paris street maximises the available land on the north side of Paris street for commercial development. However, with the Civic Centre being razed, the option to convert these buildings to residential would be lost.
- The volume of commercial development that might wrap the venue – and potentially aid its development and/or revenue funding – is considered more limited on this location, given its more isolated context.

Figure 7. Site Option (1) layout and massing – orientation east to west

Figure 8. Site Option (1) layout and massing – orientation north to south


4.4 Site Option (2): Adjacent to St. Sidwell's Point

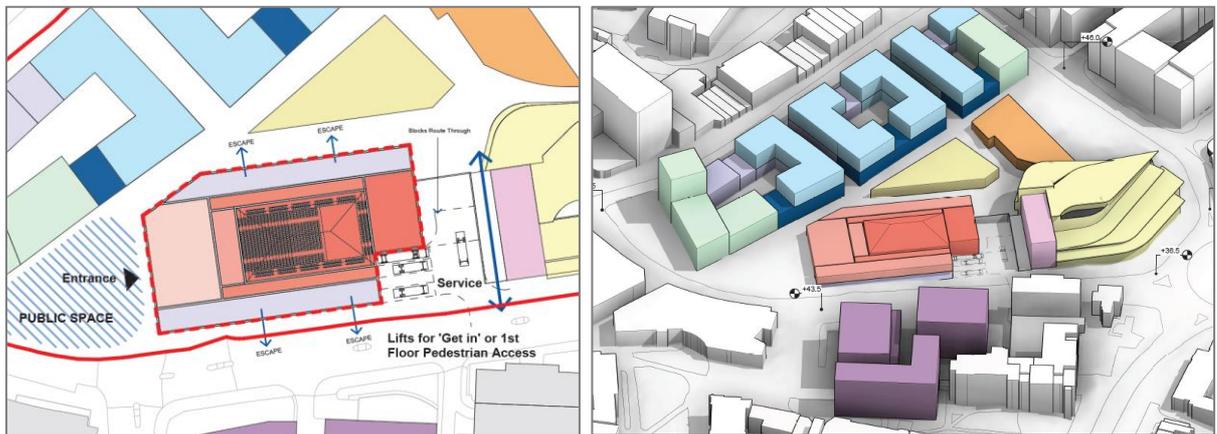
In locating the venue on the site adjacent to St. Sidwell's Point on Paris street, as illustrated in Figure 9 below, the following notes are made:

- Given the scale of the building's footprint, its orientation running from east to west in length is considered to provide the optimum solution within this area.
- A pedestrian route has been introduced linking Paris street with the St. Sidwell's Point leisure centre entrance, which is at an elevated level towards the centre of the overall site.
- The audience will enter the venue from the upper level (i.e. gallery level) from the west of the building. This affords the opportunity of good connections towards the city centre and visibility. A public square has been suggested for this area.
- Load in/out is achieved off Paris Street from the east end of the building, where levels are lower. This allows for stage-level access i.e. stage and backstage are at the same level.
- Change in levels across the site necessitates considerable excavation and retaining structures.

Project Explore: Feasibility Study

- Its location on the north side of Paris street reduces the available land in this area for commercial development, although the proposal to convert the existing Civic Centre to residential could be retained.
- However, there is likely to be greater scope to integrate the venue into a denser mixed-use scheme, potentially aiding its development and/or revenue funding position.

Figure 9. Site Option (2) layout and massing

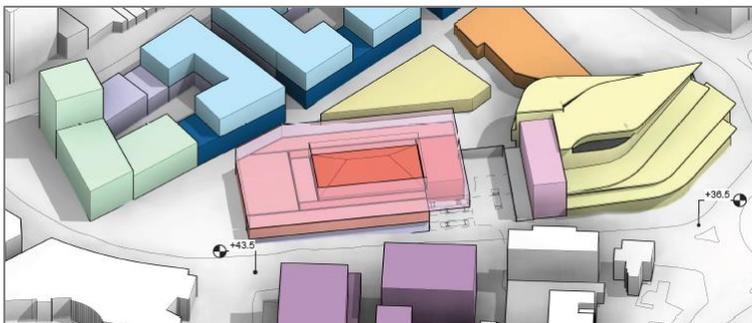


4.5 Stand-alone or integrated development?

The initial assessment of different location and orientation options for the venue suggests two discrete design and development choices. Either, a building that stands more alone in its setting with a more statement design or a building that is more integrated into neighbouring development that seeks to maximise development value. The existing Civic Centre site centre, being smaller and more isolated seems to offer less potential for an integrated development approach. For the site to the north of Paris street, either options are possible. Figure 10 illustrates significant additional massing above the venue (not over the auditorium as the spans and loading of the building is assumed to prohibit this).

ECC's preference is to pursue a more integrated development. While this may suggest a preference for the site north of Paris street, there are other many other factors that need to be taken into consideration, which would likely affect construction costs, apportionment of external works and operational yields.

Figure 10. Site Option (2) illustrating additional development



5 Capital Cost & Funding

5.1 Capital Cost Estimate

A comprehensive cost model has been prepared by Equals Consulting. The costs have been built up on an elemental basis and quantities have been rated accordingly. Where it has not been possible to establish quantities, lump sum items have been included based on professional judgement and experience of similar projects. The rates used within the build-ups are based upon our team's current market data for construction works. A gross building area of 6,090m² has been assumed which achieves a minimum seated capacity of 1,000, corresponding to the venue brief and concept plans described in Sections 3 and 4. The £/m² rates that have been produced from an elemental build-up have also been benchmarked against projects of a similar nature. Detailed notes covering the key assumptions, risks and exclusions are noted below.

Figure 11. Capital cost estimate

CONSTRUCTION ELEMENT	
Building construction	£31.98m
External Works	£1.00m
Utilities connections	£.50m
Drainage works	£.35m
	£33.83m
Preliminaries	£5.41m
Main contractors overheads and profit	£1.96m
Design development contingency	£3.09m
Construction contingency	£2.06m
	£12.53m
	£46.36m
Site clearance and demolition	£.50m
	£46.86m
Inflation	£4.87m
CONSTRUCTION ELEMENTS - SUB TOTAL	£51.73m
PROJECT COSTS	
Project team fees	£7.76m
Client staffing	-
Project team office	£.38m
FFE	£1.00m
Artwork	£.10m
Sundries	£1.00m
Client contingency	-
VAT	-
PROJECT COSTS - SUB-TOTAL	£10.24m
GRAND TOTAL	£61.97m

Figure 12. Summary list of key assumptions, risks and exclusions

<p>Key assumptions</p> <ul style="list-style-type: none"> ➤ Costs are based on a single stage competitive tender. ➤ The project is a stand-alone building, not part of a larger development scheme. Should the development be part of an integrated, mixed-used development with additional accommodation stacked and wrapped around the venue, the cost rates could move up or down e.g. additional structural/loading requirements, greater building efficiencies etc. ➤ Existing topography of site is level (note, an allowance for site strip, clearance and excavation for foundations are included but no major excavation or retaining structures. These may end up being required or partially mitigated through the design solutions adopted.) ➤ Site is free from contaminates and asbestos. ➤ Access to site will be unhindered during construction. ➤ Traditional methods of construction will be utilised.
<p>Key risks</p> <ul style="list-style-type: none"> ➤ Determination of scope and cost certainty. ➤ Procurement and availability of capable contractors. ➤ Limited design information at this early stage. ➤ Access to site and logistics. ➤ Planning implications. ➤ Noise and environmental restrictions. ➤ Local authority approvals.
<p>Key exclusions</p> <ul style="list-style-type: none"> ➤ Asbestos identification, removal and disposal. ➤ Abnormal ground conditions requiring ground improvements. ➤ Land drainage improvement works. ➤ Contamination identification, removal and remediation. ➤ Identification and removal of underground structures, tanks and the like. ➤ Upgrading of existing mains services (refer to allowance in mains services). ➤ Overhead cable diversions. ➤ Diversion of existing above and below ground mains services, including drainage. ➤ Building works in connection with abnormal Planning Conditions. ➤ Section 106 commuted sums and Community Infrastructure Levy contributions. ➤ Legal fees and costs. ➤ Land assemble and associated costs. ➤ Lease surrendering costs of existing tenants. ➤ Section 278 Works, plus off-site works. ➤ Off-site storage or consolidation.

Elemental cost assumptions: Construction

- Substructure – Piled foundations, ground bearing slabs, lift pit construction and sumps.
- Contamination removal – In the knowledge that the site had experienced contamination (full extent unknown) an allowance of £500,000 has been included. This would be adjusted once investigations have been undertaken and the extent of contamination and remediation works confirmed.
- Frame and upper floors – Steel frame construction with composite upper floors over large span trusses.
- Roof – Composite roof, with allowance included for rooflights and acoustic louvres.
- Stairs – Typically, precast concrete stairs with one feature stair in the foyer.
- External walls, windows and external doors – Blockwork infill to steel frame, including cladding to 65% of external walls, 35% glazing.
- Internal wall and partitions – Blockwork and studwork walls as applicable.
- Internal doors – Good quality solid doors, allowance for glazed screens.
- Floor, wall and ceiling finishes – good quality finishes throughout, enhanced finishes to foyer.
- Fixed furniture and equipment – Auditorium seating, box office, dressing room, washrooms, bars, food counters.
- Specialist installations – Stage engineering, choir wagon, acoustic reflectors, lighting bridge, equipment bars, specialist lighting and general AV.
- Mechanical services – Good quality sanitaryware, soil and rainwater drainage, HVAC, fire alarms and sprinklers to main auditorium, BMS.
- Electrical services – Typical electrical provisions, including lighting controls to stage area, access control, CCTV and lightning protection.
- Lift installations – Passenger lifts, goods/scenery lift and escalators.
- Builders work in connection with services – Typical builder's works allowance.
- External works – Typical works to building perimeter, for instance hard and soft landscaping, seating, signage, steps, external lighting etc. Allowance of £1m assumed towards a package of external works shared with neighbouring developments.
- Utilities connections – Mains utilities connections.
- Drainage works – New below ground drainage and connections into existing sewers.
- Preliminaries – Main Contractor's staffing and site organisation costs.
- Main Contractor's overheads and profit – 5%.
- Design Development Contingency – 7.5%.
- Construction Contingency – 5%.
- Site Clearance and Demolitions – Building location dependant.
- Inflation provision – 10.4%.

Elemental cost assumptions: Project Costs

- Project team fees – 15% Allowance to cover all design fees, QS, PM and Clerk of Works.
- Client Staffing – Excluded.
- Project Team Offices – Assumed to be an off-site office – 1,000ft², fully furnished for 5 years.
- Furniture, fittings and equipment – Loose furniture and equipment.
- Artwork – Allowance.
- Sundries – Site investigations, samples, mock-ups, community initiatives, marketing etc.
- Client contingency – Excluded and assumed to be managed separately by ECC.
- Value Added Tax – Excluded as this is assumed to be recoverable by ECC.

5.2 Pre-operational Capitalised Budget

For projects like these, pre-operational costs will be incurred in the lead-up to opening and launching the facility. These costs will be one-off expenditure items covering pre-opening operational staff appointments, staff recruitment and training, facility and systems testing, pre-launch marketing and launch event, event contract preparation, supplier procurement, and so on. It is advised that an allowance of £500k be set aside for pre-operational activities and that this should be capitalised and therefore included as part of the project's capital fundraising campaign.

5.3 Capital Funding Strategy & Sources

The funding strategy will need to draw from a plethora of sources and on a range of partnerships in order to be successful. Sources of funding could include a mixture of grant funding, institutional investment, fundraising, sponsorship, development contributions and more. An initial review and appraisal of these is set out below.

At this stage, the likelihood of garnering sufficient support to fund the project at the scale and ambition set out in Sections 3, 4 and 5.1 above is considered low. To succeed would require significant grant or subsidised investment given the relatively low return on investment projected for the venue, neither of which are considered likely or forthcoming at the current time.

In parallel to this feasibility study, ECC have undertaken some soft market testing to explore the potential for commercial interest in a new multi-purpose entertainment venue. This has been considered separately as it would likely drive a different set of assumptions regarding the venue's programming and design brief.

5.3.1 Arts Council England

The Arts Council England (ACE) champions, develops and invests in artistic and cultural experiences that enrich people's lives and are a likely avenue of funding for the proposed music venue.

ACE's large capital grants programme is currently closed, and it is not yet known if / when it will re-open. The previous fund total was £88 million, and grants could be upwards of £5 million. The programme tends to run once every four years.

ACE are mostly interested in projects where their funding will have a transformational effect. As this project would certainly have a transformational effect on the arts scene in Exeter, there would likely be great interest in the project from ACE should the large capital grants programme re-open in the future.

It has been noted from consultations with both the Arts Council and Exeter City Council that a strong relationship currently exists between the two.

5.3.2 Heart of the South West LEP

Exeter sits within the Heart of the South West LEP, which is a business-led partnership of 4 county and unitary authorities, 14 district authorities, 4 universities and 10 FE colleges across Devon, Plymouth,

Somerset and Torbay. The LEP aims to reposition the areas profile and reputation, nationally and globally, connecting people, places, businesses and ideas in order to transform the economy, secure investment in infrastructure and skills and create more jobs.

The LEP has no direct discretionary funding to allocate to businesses or organisations. However, LEP's are a platform for funding applications, with some funding streams being entirely dependent on LEP's administering them, such as the Growth Deals, and others, such as European funding, having potential advantage should they be supported by the LEP.

Local Growth Funding for the Heart of the South West LEP will amount to £239.07 million by 2021.

In terms of European funding, the LEP has been allocated £108.8 million from the European Structural and Investment Fund (ESIF) programme which runs from 2014-2020. The 5 priority areas of investment are:

- Maximising innovation through transformational opportunities and smart specialisation (e.g. aerospace, big data, healthy aging, marine, nuclear etc.)
- Enterprise and SME competitiveness
- Reaching new markets
- Digital
- Addressing social and economic inclusion

Although the UK's exit from the EU will eliminate such funding in the future, these priority areas remain a sound guide for future funds that may replace it.

5.3.3 Growing Places Fund

In 2012, LEP's in England received £730 million from the Growing Places Fund to support key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. The Fund provides an opportunity for LEP's and Local Authorities to identify, prioritise and deliver the infrastructure needed for growth.

To date 94% (£634 million) has been earmarked or allocated to 348 projects. However, 84% of the Growing Places Fund has been awarded on a loan only basis. This means that funds can be recycled for other projects when development is completed, and the loan repaid.

5.3.4 Creative Industries Sector Deal

More than £150 million will be jointly invested by the government and industry to help the country's world leading cultural and creative businesses thrive. In addition, a Cultural Development Fund will also be launched for cities and towns to bid for a share of £20 million to invest in creative and cultural initiatives. The deal will focus investment in:

- Places of the future - by funding leading creative clusters to compete globally
- Technologies and content of the future - via research into augmented reality and virtual reality

- Creative skills of the future - via a careers programme that will open up creative jobs to people of every background

5.3.5 Trusts & Foundations

Trusts & foundations will provide another avenue of opportunity for securing funding. There are many organisations which are focused upon the arts and creative industries and could be interested in supporting a venue promoting this. Some examples of these include:

- The Paul Hamlyn Foundation: The foundation has a particular interest in the arts and in supporting young people, aiming to distribute around £25 million per annum, usually in the form of grant-funding or, in some cases, loans to organisations.
- Wolfson Foundation: An independent charity that awards grants to support and promote excellence in the fields of science, health, education and arts & humanities. The Trustees aim to distribute at least 4% of the fund on an annual basis, which has broadly equated to approximately £30 million in recent years.
- Esmée Fairbairn Foundation: An organisation which aims to improve the quality of life for people and communities in the UK presently and also in the future. In 2018 the Foundation made grants totalling £40.5 million.
- Garfield Weston Foundation: A family founded, charitable grant making foundation which supports a wide range of causes across the UK and donates over £70 million each year. The Foundation has a focus on arts, education, community, health & wellbeing and youth.

5.3.6 Strategic Partners

Strategic partnerships could be formed with organisations such as the University of Exeter and Exeter College in order to generate capital contributions.

The University of Exeter is currently strengthening its creative capacity and has formed an Exeter Culture Group which involves partners from the city. Although most of the University's activity is based upon strengthening the campus offer, it is willing to explore more city centre based opportunities. The city centre venue could provide such an opportunity.

In addition, Exeter College is also exploring opportunities to expand and are particularly interested in growing their musical and theatrical offer. The new venue could fulfil some of the College's spatial needs in return for a capital contribution.

5.3.7 Local benefactors & legacies

Local benefactors and legacies are a source of potential income. Local high-net worth individuals or entrepreneurs with an interest in music or the arts may be interested in supporting a new venue. The University and College will also have alumnae networks which could be utilised to reach out to people willing to donate or support such a scheme.

Many buildings have been constructed with the help of wealthy individuals, for example, Saffron Hall, a concert hall in Saffron Walden, was the result of such a donation. However, this form of funding is difficult to predict and should not be relied upon.

5.3.8 Sponsorship & Naming Rights

Sponsorship agreements or purchase of naming rights is an additional funding option for the venue. For properties like a multi-purpose arena or performing arts venue naming rights contracts can range from between 3 to 20 years. There are several forms of corporate sponsored names. These can include a presenting sponsor where the name of the sponsor is attached at the end of a generic, traditional name or a title sponsor, where the original name is replaced completely with a sponsored one.

Offering naming rights to sponsors has become increasingly popular in recent years. Examples include the multi-purpose Birmingham International Arena, now known as the Resorts World Arena, the Marks & Spencer Arena in Liverpool's waterfront and O2's sponsorship of AMG's portfolio of live music and club venues.

5.3.9 Property

There are various property related opportunities to consider.

ECC have advised that Community Infrastructure Levy (CIL) contributions is unlikely for the new venue.

Associated development around the venue (either stacked or wrapping around the building and on neighbouring sites) could be used as a mechanism for securing funding either in capital or revenue terms.

There is also the possibility of securing capital receipts on sites such as the Corn Exchange, should the new venue absorb the activities currently taking place there, or at other sites.

5.3.10 Debt

There is the possibility of securing funding via prudential borrowing / Public Works Loan Board. The Council may be familiar with this as it understood to have been used as part of the St Sidwell's Point leisure centre development.

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities, and to collect the repayments. Since 2004, major local authorities have been able to borrow without government consent, provided they are satisfied that they can afford the borrowing costs. In order to comply with is, they are required by law to 'have regard' to the Prudential Code, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG). The PWLB requires assurance from the authority that it is borrowing within relevant legislation and its borrowing powers.

ECC have confirmed that the current rate available to them would be 2.29%. On this basis, an estimate of annual repayments is set out in the table below against different levels of borrowing.

Figure 13. Indicative loan repayments

Principal	£30m	£20m	£10m	£5m
Annual repayment, capital & interest	£1,008k	£672k	£336k	£168k
Total repayable	£50m	£34m	£17m	£8m

ECC has no identifiable capacity within its current budget to service an additional loan so would require the new venue to provide a surplus from which repayments could be made. The level of profit being forecast (Section 6.2.2), could only service a small proportion of the overall cost of the venue.

Devon County Council holds a significantly larger budget than ECC and could be approached to provide financial support for project and help to service a loan, given its regional relevance and impact. However, this could only be achieved with the political support of the County.

5.3.11 Tenant / Operator Investment

Tenant investment could be another source of funding. This would consist of commercial F&B and retail tenants paying for the right to occupy space within the venue (although at this stage we have assumed the allocation of such space being built will operated by ECC and therefore revenue is accounted for in Section 6). These tenants could either develop their own spaces or move into spaces which have already been fitted out.

Venue operators would be another potential funding source, as well as a means of off-setting risk and linking the venue with a programming/content supply chain. Groups such as Live Nation⁸, Ambassador Theatre Group⁹ and AEG¹⁰ could be approached to develop, manage and/or operate the venue in return for capital contributions towards the build. Again, the current working assumption is that the venue will be operated by ECC and therefore these sorts of opportunities are currently excluded.

5.3.12 Institutional Investment

Institutional investment is another form of funding which could involve pension fund investment with council guarantees or sale and leaseback agreements. Sale and leasebacks are generally used for fixed assets, such as real estate, and would offer the opportunity to raise money by selling the ownership of an asset in return for a leasing agreement which allowed for continued use of the site for a fixed period of time.

5.3.13 Crowd Funding / Crowd Investments

Crowd funding initiatives and crowd investments are a possible source of funding. Sites such as Crowdfunder, Crowdrise and GoFundMe enable organisations and individuals to set up fundraising campaigns to attract donations from people who may be supportive or passionate about a project or an idea.

⁸ <https://www.livenation.co.uk/>

⁹ <http://www.atg.co.uk/>

¹⁰ <https://www.aegworldwide.com/>

6 Operational Projections

6.1 Basis of Projections & Key Assumptions

The operational projections set out in this section assume that ECC operates the new venue. Other options include various forms of partnering arrangement, leases or management contracts to third-parties for either some or all the venue's building or business activities. Each option will present a different risk profile for ECC and include a range of trade-offs covering financial and non-financial factors.

The projections set out in Section 6.2 represent a maturing state of the business that is assumed to arise in year three after launch, by which point the initial hype surrounding launch will have passed, operational teething problems are ironed out and the venue will have established itself within the south-west market-place. As noted in Section 5.2, the venue's launch into and penetration of the regional market will require a significant pre-operational campaign and continuing marketing effort.

The baseline projections represent 'reasonable' and 'balanced' assumptions across the various income and expenditure items, taking into consideration the vision and aspiration for the venue, local market factors and benchmarked data gathered from a range of comparator venues across the UK.

The operational projections, unless otherwise stated, exclude VAT and inflation.

In Section 6.2.5 we have illustrated the 25yr operational income and expenditure profile for the venue. This assumes a gradual ramp-up of each income and expenditure line items to the mature state in year-3 and from year-4 onwards, the figures are flexed up and down to reflect a typical longer-term revenue pattern.

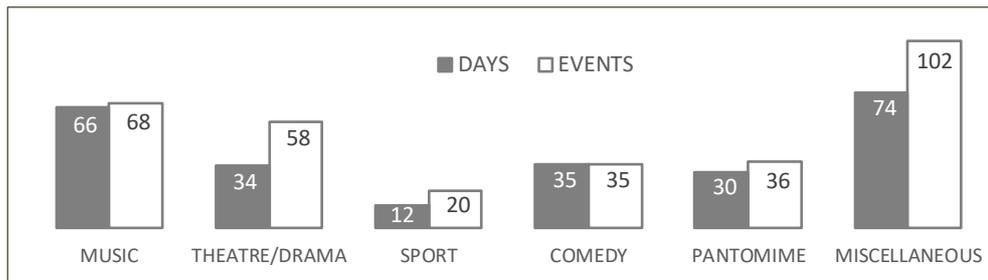
Finally, in Section 6.2.6 we have illustrated the effects of taking more optimistic or pessimistic views in both the income and expenditure projections to cast a range of annual operational deficit/surplus.

6.2 Mature State Baseline Projections

6.2.1 Events' Programme

An indicative annual programme of events has been cast for the venue reflecting the research and analysis described in Section 3.2 and aiming to fill the cultural and commercial gaps within the Exeter arts and cultural ecology. The number of days and events by genre (derived from the average number of performances per day) are illustrated in the Figure 14 below. The majority of the 'miscellaneous' category relates to *unique arena shows and experiences, talks and special interest events, cinematic shows and conferences*. This translates to a total of 251 event days and 319 events, which is more than the typical similarly sized UK venue but reflects the findings of the Needs Assessment and specific market context in Exeter and its surrounding catchment.

Figure 14. Event days & events by genre



6.2.2 Income & Expenditure Summary

Figure 15 below summarises the annual income and expenditure for the mature state and the supporting assumptions are described in Sections 6.2.3 and 6.2.4 respectively.

At this stage, the baseline projection assumes that the venue can return a positive operational contribution in its mature state. Importantly, this is before any additional income is derived from either sponsorship, partnering deals (e.g. education and training), grants or voluntary contributions. Given the commercial nature of the facility, the opportunity for attracting *grants* and *voluntary contributions* is assumed to be low. However, *sponsorship* and *partnering deals* could be significant but at this stage cannot be predicted with confidence so have been omitted.

Figure 15. Summary income & expenditure

INCOME	
Box office/Venue hire	£1,102k
Food & beverage	£1,301k
Merchandise	£50k
Other income	£84k
Sponsorship	-
	£2,537k
EXPENDITURE	
Core staff (permanent)	(£535k)
Event staff (variable)	(£233k)
F&B staff (variable)	(£155k)
Overheads	(£1,250k)
	(£2,173k)
OPERATING SURPLUS/(DEFICIT)	£364k

6.2.3 Income Assumptions

The net income derived from Box office / Venue hire, F&B sales and merchandise sales is summarised in Figure 1 below. To arrive at these projections, the six event genres represent 24 discrete event types, each with a different market and income profile. For each event type, discrete assumptions have been

made for: the venue's configuration and capacity (i.e. theatre, concert or arena); the average occupancy of an event (i.e. ticket sales); average ticket price; deals agreed with promoters; average secondary spends for F&B and merchandise and the cost of sales and margins achieved respectively.

Figure 16. Events income

	Box office	F&B	Merch'
Music	£258k	£446k	£12k
Theatre/Drama	£217k	£132k	£14k
Sport	£109k	£127k	£5k
Comedy	£76k	£155k	£4k
Pantomime	£121k	£82k	£6k
Miscellaneous	£321k	£358k	£9k
	£1,102k	£1,301k	£50k

A relatively small projection of 'other income' is also assumed, derived from the sale of local advertising and promotional materials (to promoters and event organisers); a public membership scheme for the venue (offering exclusive offers, promotions and discounts on purchases and special events); negotiated deals for third-party ticket agency booking charges; and, non-event F&B (this assumes that one of the F&B units within the venue opens daily as a day-time café for the general public, taking advantage of passing footfall).

At this stage, we have made no assumptions for sponsorship income. However, for a venue of the status and significance being proposed, this could represent a valuable additional income stream.

6.2.4 Expenditure Assumptions

The staff expenditure is split into three categories namely: Core staff (representing the permanent employed staff for the venue); Events staff (a variable staff complement covering front of house stewarding, ticket checking, event cleaning and door supervision); and, F&B staff (a variable staff complement covering the venue's bars during the operational hours of events).

Figure 17. Core staff (permanent)

<i>Department</i>	<i>Grade/Role</i>	<i>FTE</i>	<i>Salary</i>	<i>On-costs (25%)</i>	<i>Sub-total</i>
Executive	Director/GM	1.0	£60.0k	£15k	£75k
Executive	Administrator	1.0	£18.0k	£5k	£23k
Executive	Commercial Manager	1.0	£40.0k	£10k	£50k
Event Technical	Manager	1.0	£30.0k	£8k	£38k
Event Technical	Deputy	1.0	£27.5k	£7k	£34k
Event Technical	Assistant	1.0	£22.5k	£6k	£28k
Event Management/Ops	Manager	1.0	£30.0k	£8k	£38k
Event Management/Ops	Assistant	1.0	£22.5k	£6k	£28k
Event Management/Ops	Duty manager	2.0	£30.0k	£15k	£75k
F&B	Manager	1.0	£32.5k	£8k	£41k
F&B	Assistant	1.0	£27.5k	£7k	£34k
Sales and Marketing	Manager	1.0	£35.0k	£9k	£44k
Sales and Marketing	Assistant	1.0	£22.5k	£6k	£28k
14.0					£535k

Figure 18. Event staff (variable)

	<i>Ave staff/event</i>	<i>Hrs/Event</i>	<i>Staff Hrs</i>	<i>Staff rate</i>	<i>On-costs</i>	
Event staff - total	15.0	5.0	23,925	£9.00	8.00%	£233k

Figure 19. F&B staff (variable)

	<i>Ave staff/event</i>	<i>Hrs/Event</i>	<i>Staff Hrs</i>	<i>Staff rate</i>	<i>On-costs</i>	
F&B staff - total	10.0	5.0	15,950	£9.00	8.00%	£155k

The total overheads of the venue are projected at £1.25m for the mature state. These are summarised in Figure 20 and described below. Importantly, the costs reflect the ambition for the venue to become a centre for civic pride, as well as being commercially successful. At this stage, we are more concerned with the headline figures rather than their detailed make-up and breakdown and have been benchmarked accordingly. As the project develops, the assumptions lying behind the headlines will evolve and cascade into greater detail.

- Council department recharges – with ECC managing the venue, a small proportion of resource is drawn from central council departments (largely from finance, HR and estates), which complements the permanent core staff team.
- Box office – the cost of operating a small box office located within the foyer of the venue. At this stage a cautious view has been taken for the baseline projection which assumes that the box office is servicing the needs of the venue only and not selling for other venues in region.

- Marketing – a sizeable marketing budget has been assumed, which is equivalent to 6% of box office sales – reflecting the commercial intent of the venue and the need to aggressively build audience and promoter awareness of the venue.
- Event technical – the scale of event technical budget aligns with the capital budget assumptions for technical fixtures and equipment. This budget also provides for periodic inspections of lighting, health and safety requirements etc.
- Building maintenance – an average annual allowance has been included for planned and preventative maintenance. In the early operational years, the cost of maintenance will be low as a result of building and equipment warranties. The expenditure profile in later years will likely include less frequent but higher levels of expenditure i.e. acting like a sinking fund for more significant repairs and upgrades.
- Facilities management – assumed to cover 24hr CCTV building security, lift servicing (on emergency call out basis), general cleaning and waste collection.
- Utilities – the current budget equates to an allowance of £12/m² across the gross building area. The scale of utilities' expenditure will have a direct correlation to the environmental qualities and energy performance of the building.
- Insurances – assumed to cover buildings, contents, public and employer liabilities. The scale of expenditure assumes some group cover benefit from ECC.
- Business rates – it is assumed the full business rates will be payable. The rateable value of the property has been estimated at £300k, based on a range of comparable UK venues, and business rates are assumed to be charged at 50%. There may be opportunities to achieve some rate relief, but no such assumptions have been made at this stage.
- Rent – assumed to be nil given ECC is both the tenant and landlord.
- IT – assumed to cover a reasonable specification of internet connectivity and servicing to address the venue's requirements, event technical and public WiFi.
- Legal and professional – to cover legal advice typically relating to new or unusual promoter and supplier contracts and HR matters. This will complement related allowances made within the 'Council department recharges'.
- Admin – to cover the venue's general office related expenditure such as: phones, stationary, printing, travel and sundry expenses.
- Contingency – to provide a contingency buffer across these overhead items.

Figure 20. Overheads

Overhead item	Sub-total
Council departmental recharges	£50k
Box office	£100k
Marketing	£200k
Event technical	£25k
Building maintenance	£150k
Facilities management	£250k
Utilities	£75k
Insurances	£25k
Business rates	£150k
Rent	-
IT	£100k
Legal & professional services	£25k
Admin	£50k
Contingency	£50k
	£1,250k

6.2.5 25yr Income & Expenditure

The 25yr income and expenditure profile is presented in Figure 21. For this, assumptions are included for the gradual build-up of individual income streams as the venue takes time to establish itself in the market place; a reduced core staff complement in years 1 and 2, reflecting the venue operating at below its mature state capacity; Event and F&B staff fluctuating in line with the venue's event programme; individual assumptions for each line item within the overheads.

Figure 21. 25yr income & expenditure summary

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10	Yr11	Yr12	Yr13
INCOME													
Box office/Venue hire	£.66m	£882k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k
Food & beverage	£780k	£1,041k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k
Merchandise	£30k	£40k	£50k	£52k	£50k	£47k	£50k	£52k	£50k	£47k	£50k	£52k	£50k
Other income	£50k	£67k	£84k	£88k	£84k	£80k	£84k	£88k	£84k	£80k	£84k	£88k	£84k
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-	-
	£1,522k	£2,030k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k
EXPENDITURE													
Core staff (permanent)	(£321k)	(£428k)	(£535k)										
Event staff (variable)	(£140k)	(£186k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)
F&B staff (variable)	(£93k)	(£124k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)
Overheads	(£1,115k)	(£1,090k)	(£1,250k)	(£1,118k)	(£1,130k)	(£1,338k)	(£1,163k)	(£1,175k)	(£1,338k)	(£1,163k)	(£1,175k)	(£1,338k)	(£1,163k)
	(£1,669k)	(£1,828k)	(£2,173k)	(£2,059k)	(£2,053k)	(£2,241k)	(£2,085k)	(£2,117k)	(£2,260k)	(£2,066k)	(£2,098k)	(£2,279k)	(£2,085k)
OPERATING SURPLUS/(DEFICIT)	(£146k)	£202k	£364k	£604k	£484k	£169k	£452k	£547k	£277k	£344k	£439k	£384k	£452k
CUMMULATIVE SURPLUS/(DEFICIT)	(£146k)	£55k	£420k	£1,024k	£1,508k	£1,678k	£2,130k	£2,676k	£2,953k	£3,298k	£3,737k	£4,122k	£4,573k

Project Explore: Feasibility Study

	Yr14	Yr15	Yr16	Yr17	Yr18	Yr19	Yr20	Yr21	Yr22	Yr23	Yr24	Yr25
INCOME												
Box office/Venue hire	£1,047k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k
Food & beverage	£1,236k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k
Merchandise	£47k	£50k	£52k	£50k	£47k	£50k	£52k	£50k	£47k	£50k	£52k	£50k
Other income	£80k	£84k	£88k	£84k	£80k	£84k	£88k	£84k	£80k	£84k	£88k	£84k
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-
	£2,410k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k
EXPENDITURE												
Core staff (permanent)	(£535k)											
Event staff (variable)	(£221k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)
F&B staff (variable)	(£147k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)
Overheads	(£1,175k)	(£1,338k)	(£1,163k)									
	(£2,078k)	(£2,260k)	(£2,104k)	(£2,098k)	(£2,241k)	(£2,085k)	(£2,117k)	(£2,260k)	(£2,066k)	(£2,098k)	(£2,279k)	(£2,085k)
OPERATING SURPLUS/(DEFICIT)	£332k	£277k	£559k	£439k	£169k	£452k	£547k	£277k	£344k	£439k	£384k	£452k
CUMMULATIVE SURPLUS/(DEFICIT)	£4,905k	£5,182k	£5,742k	£6,181k	£6,350k	£6,802k	£7,349k	£7,626k	£7,971k	£8,410k	£8,794k	£9,246k

6.2.6 Sensitivity Analysis

The operational model is particularly sensitive to a small number of income and expenditure variables – notably, the volume and nature of events within the programme, the deals achieved with promoters, conversions and secondary spend for F&B and related direct costs. Small adjustments can cause a significant swing in the operational surplus and deficit. For example, adjusting the average ‘split’ deal with promoters from 25% to 27.5% improves the operational surplus by £100k or 27%. Conversely, a fall in this ‘split’ to 22.5% reduces the operational surplus by £100k.

As noted above, the baseline projections are considered to be ‘reasonable’ and ‘balanced’ on both the income and expenditure sides of the model. However, for this early stage of planning, it would be prudent to assume a potential swing in the projected bottom line (comparable to that described in the above sections) of between £250k (deficit) and £500k (surplus).

All information, analysis and recommendations made for clients by Fourth Street are made in good faith and represent Fourth Street's professional judgement on the basis of information obtained from the client and elsewhere during the course of the assignment. However, since the achievement of recommendations, forecasts and valuations depends on factors outside Fourth Street's control, no statement made by Fourth Street may be deemed in any circumstances to be a representation, undertaking or warranty, and Fourth Street cannot accept any liability should such statements prove to be inaccurate or based on incorrect premises. In particular, and without limiting the generality of the foregoing, any projections, financial and otherwise, in this report are intended only to illustrate particular points of argument and do not constitute forecasts of actual performance.