



Colosseum Refurbishment Outline Business Case

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1. Executive Summary

The Colosseum is an entertainment venue situated adjacent to the Town Hall in Watford town centre. The refurbishment of the building is an integral part of the Town Hall Quarter programme, a ten year comprehensive programme of activity which serves to deliver a vision of *'a vibrant and thriving hub in the heart of the town, creating exciting new opportunities for our residents, businesses and community, contributing to Watford's prosperity and success'*.

The Colosseum, which was significantly impacted by the Covid-19 pandemic, has previously been managed by an Operator whose contract was terminated by mutual agreement in December 2020. The cessation of the operator contract provides an ideal opportunity to undertake much needed refurbishment and reconfiguration work to the building whilst causing the minimum disruption possible. The programme of work expects the building to reopen with a new operator in autumn 2023. This business case is concerned with and recommends the full refurbishment of the Colosseum building.

Refurbishment of the building will significantly reduce the risk of building failure, provide an opportunity to replace end-of-life equipment and facilitate a more beneficial commercial arrangement with a future operator, seeking to pass the building and maintenance liability to the operator and potentially negating the need for an operator management fee. The project will considerably extend the lifetime of the building whilst ensuring it is energy efficient, meets modern requirements in terms of accessibility and compliance and importantly respects the building's heritage and history.

Whilst a number of options, including do nothing, do minimum and a building only refurbishment, were considered, the only option which allows the council to deliver on each of the project objectives is to proceed with the delivery of a comprehensive refurbishment of the building systems, fabric and plant to replace end-of-life equipment, address backlog maintenance issues and bring the building up to modern standards. The recommended option would also see the delivery of a programme of enhancements to the building, addressing issues that currently negatively impact on the buildings commercial operation. The full scope of the proposals is contained within the RIBA Stage 2 report and is estimated to cost in the region of £12,390,000; being £11,350,000 for essential works and £1,040,000 for building enhancements.

Aside from the benefits to the actual building, the refurbishment will deliver a wider economic contribution to the town by bringing more people into the town centre, with public engagement to date confirming that visitors to the Colosseum would combine their visit with a meal, drink or shopping trip. In addition to volunteering opportunities, it would also provide additional opportunities for 25 full time and 70 casual staff and provide additional opportunities for Watford residents to access and participate in arts and culture. Furthermore, the council is keen to support and provide space for other community groups in the town and reconfiguration of the space should help to ensure that the space is not under-utilised, particularly in the day.

The financial benefits arising from the Colosseum refurbishment project are all dependent on the outcome of the new operator procurement and the council's assumptions regarding the contract that will be secured through this project. The aspirations from this process are that the Colosseum will become cost neutral for the council through having no management fee to the operator, which it is hoped over the life of the contract will become a positive payment to the council, and no retained building risk or liability. If these outcomes are secured from the new operator contract the council will save the existing budget of approximately £165,000.

Two procurement processes will be undertaken in order to deliver the project. The first of these, commencing in March 2022, will be for a two stage Design and Build contract for the delivery of the refurbishment, which takes into account the council's objectives, risk appetite and wider constraints and dependencies. This route offers the best prospect of programme adherence and transfers

programme, cost and residual design risk to the contractor. This route also would enable synergies to be explored with the Town Hall refurbishment (see Appendix 2), which would provide time and cost efficiencies to the council. The second procurement relates to securing an operator for which a Competitive Procedure with Negotiation procurement route will be followed to enable the council to discuss a number of different solutions and variations throughout the process to ensure the best outcome is achieved, including input to the final building design development process from operators. Whilst the council is keen to secure a commercial deal, this is likely to be reflected in the length of the lease which could be up to 25 years and any community use of the space will similarly be subject to these negotiations. Soft market testing to date has indicated that three well-established operators are likely to bid for the contract whilst public engagement has shown that there is a strong public desire for the Colosseum to reopen and provide a range of diverse and varied events, activities and performances.

The project will be managed via a designated Project Board reporting into the Town Hall Quarter Programme Board, chaired by the Managing Director. This will allow risks, issues and any potential changes to be actively managed and, where necessary, escalated with a full understanding of any implications. Political oversight will be maintained by a Member Steering Group, chaired by the Elected Mayor and in place since the initiation of the programme, which will continue to allow ongoing progress reporting and feedback from Members.

For the reasons outlined above, the refurbishment of the Colosseum as detailed in Appendix 1B, is recommended to Cabinet for approval.

2. Strategic Case

2.1 Background

The Colosseum is an entertainment venue situated immediately adjacent to the Town Hall. The council owns the building and historically contracted experienced operators to manage the programme of events, performances and activities which take place within it. The contract with the previous operator, due to come to an end in March 2021, was terminated by mutual agreement in December 2020 as a result of the Covid-19 pandemic and the restrictions on opening the building. Refurbishment of the building, including the replacement of end-of-life machinery, is overdue and this period without an operator, in addition to £3.7m of funding from Central Government to decarbonise the Town Hall and Colosseum, has provided an ideal opportunity to proceed with the refurbishment.

This business case is therefore for the refurbishment of the Colosseum to secure its long-term future and increase its viability as a nationally-renowned visitor attraction. Not only will refurbishment of the building improve the venue for visitors and, potentially, community groups, it will also provide a better commercial deal for the council from the new operator contract including transfer of building repair and maintenance responsibility to the new operator. Market testing has indicated that no operator would take on the risk of refurbishing the building and so it is incumbent on the council to undertake these works in order to realise the benefits outlined within this document, including the wider benefits for the town, bringing more people into our vibrant town centre.

2.2 Context for change

Up until December 2020, the Colosseum was managed via a contract by HQ Theatres with the council paying a management fee of £165,000 per annum and also retaining responsibility for some aspects of the building repairs and maintenance. However, performances and events at the Colosseum stopped in March 2020 as a result of the Covid-19 lockdown and associated government guidance. Theatres were only permitted to reopen, with social distancing measures, in May 2021 with full capacity not permitted until two months later. As a result of the restrictions in place, and with the existing contract due to end in March 2021, the council and HQ Theatres took the mutual decision to terminate the contract in December 2020.

Surveys of the Colosseum have indicated the need for significant refurbishment to ensure that the venue can continue to operate in the long-term. In November 2019, the Colosseum was closed at short notice for a period of four weeks to undertake essential repairs to the ceiling in the auditorium. This caused disruption to the programme of events and activities within the building at a busy time of the year and specialist advice has indicated that further episodes of unscheduled building closures are likely should refurbishment of the building not be undertaken. In addition, some essential equipment has been identified as end-of-life and will need replacing should the building continue to operate. The refurbishment provides an opportunity to reconfigure some areas of the building to ensure that some of the issues identified in terms of the use of the building, such as visitor flow and access to food and beverage are improved, further increasing the attractiveness of the venue to a commercial operator. In parallel to this, the council has been awarded £3.7m from the government's Public Sector Decarbonisation Scheme to decarbonise the Town Hall and Colosseum buildings which includes the refurbishment of windows, heating control and lighting improvements, cavity wall and roof insulation enhancements and the introduction of photovoltaic panels and storage. This will allow the Colosseum to contribute to the council's sustainability ambitions and target of reaching net carbon neutral by 2030.

The gap between operator contracts provides an ideal opportunity to undertake the decarbonisation, refurbishment and reconfiguration work whilst causing the minimum disruption possible. This work will form part of the wider Town Hall Quarter programme.

2.3 Current issues, priorities and implications of not undertaking the project

- Significant parts of the machinery required to run the Colosseum building are or near to end-of-life. To continue to keep the Colosseum operational, these would need to be replaced. If this did not happen, the inherent risk in the building (which could lead to a significant failure resulting in a period of closure to undertake repairs) could also mean that the opportunity would not be attractive to the market and it is likely that the council would not be able to secure an operator.
- Even if an operator could be secured, it is unlikely that the council would be able to secure a beneficial commercial deal meaning that it would continue to be liable for an annual management fee as well as repair and maintenance liabilities, which will increase and therefore would provide a budget pressure.
- Without the repurposing of the space, the Colosseum would continue to be underutilised, particularly in the day time. Any potential opportunities to fill the space and support cultural organisations would be lost.
- The opportunity to link in the Colosseum with the wider Town Hall Quarter programme, including re-establishing the link between the Colosseum and the Town Hall (which will house the new Museum) would be lost. The ambition to create a new hub for the arts and culture in the town would subsequently not be realised.

2.4 Project objectives

- Implement refurbishments to provide the Colosseum building with a 35-40 year life expectancy.
- Ensure that the refurbishment of the Colosseum building meets the requirements of commercial operators and allows the successful procurement of an operator passing over building repair and maintenance liability.
- Refurbish the building to enable an operator to deliver a wider offer and greater revenue streams.
- Ensure that the refurbishment of the Colosseum building provides an opportunity for opening up the space for the community.
- Ensure the requirements for the Colosseum building meets modern standards, including in relation to accessibility and compliance.
- Ensure that the building is energy efficient and has integrated sustainability features.
- Ensure that the Colosseum provides value for money in terms of ongoing operating and maintenance costs.
- To interlink and enable join up the use of the Town Hall and Colosseum buildings.
- Ensure that the refurbishment is in keeping with the heritage of the building.

2.5 Dependencies

Work to date has identified the following dependencies which will require management throughout the next phase of the programme:

- The commencement of the Colosseum refurbishment is dependent on the approval of the RIBA Stage 3 plans in June 2022.
- The commencement of the Colosseum refurbishment is dependent on the successful and timely completion of the decarbonisation works on the building, expected to be completed by March 2022.
- The ability to procure an operator with an attractive commercial arrangement, is dependent on the successful completion of the Colosseum refurbishment works.
- The re-opening of the Colosseum in Autumn 2023 will be dependent on the successful procurement of an operator and completion of works by this point.
- The ability to re-establish the link between the Town Hall and Colosseum will be dependent on the progression of the associated works in the Town Hall building.
- Parking for users of the Colosseum is dependent on the total number of spaces allocated within the New Neighbourhood which will be subject to the final proposals from joint venture partners.

2.6 Constraints

Work to date has identified the following constraints which will require management throughout the next phase of the programme:

- As a result of its listed status the Colosseum refurbishment must be acceptable to Historic England.
- In order to maximise the use of space within the Town Hall Quarter, meet the objectives of the programme and deliver the sustainability ambitions for the council there will be a significant reduction in parking across the Town Hall Quarter, which will impact existing Colosseum parking in the Town Hall Car Park. The optimum parking provision and solution will be developed through the next phase of the programme in line with the revised requirements of all stakeholders.
- Soft market feedback has indicated that autumn is a key period for theatre operators. As a result, there will be a need to ensure that the refurbishment has been completed by autumn 2023 to ensure that the benefit of this period can be maximised.
- The scale of the refurbishment will be constrained by the budget. However, the budget presented is anticipated to be sufficient to deliver the RIBA Stage 2 works as outlined in Appendix 1B.

3. Economic case

3.1 Possible options

In developing the proposals for the refurbishment of the Colosseum a number of options have been considered. All options have been assessed in the context of a new commercial operator of the Colosseum and the likely implications of the chosen option on the deal that the council is able to secure. Within this, consideration has been given to the ongoing risk, liability and financial implications for the council over the life of that contract.

Option	Description	Potential Implications
1. Do nothing	No refurbishment works would be completed. The venue would attempt to continue to operate as it has previously with the aging plant and building management systems and other inherent flaws in the building currently, which mean it is not fit-for-purpose as a modern theatre venue.	<ul style="list-style-type: none"> • Given the current state of the building it is anticipated that the opportunity would not be attractive to the market and it will not be possible to secure an operator. <p>However, in the event that an operator contractor <i>is</i> secured:</p> <ul style="list-style-type: none"> • Building repair and maintenance liability would likely remain with the council requiring an estimated budget of approximately £190,000 per annum (which is not within the current budget) • There would remain the risk of a building defect which would result in a period of closure (such as in late 2019) with liability within the contract for such failures likely to remain with the council • There would also be high risk of a <i>significant</i> failure within the building resulting in an extended period of closure to complete a full refurbishment with the associated financial implications for the council and on the operator and operator contract • Commerciality of the building would not be enhanced with the management fee therefore expected to be retained (approx. £165,000 per annum cost)



Option	Description	Potential Implications
2. Do minimum	<p>This option would involve completing an extensive maintenance programme on the existing plant, building management systems and fabric, but would not replace any of these items. Through this it would be hoped that up to ten years further life can be stretched from such equipment. This option would not address the inherent flaws in the building currently, which mean it is not fit-for-purpose as a modern theatre venue.</p>	<ul style="list-style-type: none"> • Maintenance programme estimated to cost in the region of £4m • Given that this would not fundamentally impact the operation of the building and plant etc, which would still be basically end-of-life, the inherent risk in the building could mean that the opportunity would not be attractive to the market and it will not be possible to secure an operator. <p>In the event that an operator contractor <i>is</i> secured:</p> <ul style="list-style-type: none"> • Building repair and maintenance liability would likely remain with the council requiring an estimated budget of approximately £80,000 per annum (which is not within the current budget) • There would remain the risk of a building defect which would result in a period of closure (such as in late 2019) with liability within the contract for such failures likely to remain with the council • There would also be a high risk of a <i>significant</i> failure within the building resulting in an extended period of closure to complete a full refurbishment with the associated financial implications for the council and on the operator and operator contract • Commerciality of the building would not be enhanced and therefore the management fee would expected to be retained (approx. £165,000 per annum cost)

Option	Description	Potential Implications
3. Building only refurbishment	<p>Delivery of a comprehensive refurbishment of the building systems, fabric, plant etc to replace end-of-life equipment, address backlog maintenance issues and bring the building up to modern standards.</p> <p>This option includes all of the areas identified as “essential” within the RIBA Stage 2 report at Appendix 1B.</p>	<ul style="list-style-type: none"> • Programme estimated to cost in the region of £11,350,000 • Opportunity would be expected to be attractive to the market due to the works that have been completed in the building and therefore it is likely that the council will successfully secure a new operator. • Building repair and maintenance liability would be expected to transfer to the new operator, as per the council’s specification for the contract¹ • Low risk of a failure within the building with the expectations that liability within the contract for such failures will transfer to the operator¹ • Commerciality of the building not enhanced therefore management fee expected to be retained (approx. £165,000 per annum cost)¹
4. Full commercial refurbishment	<p>Delivery of a comprehensive refurbishment of the building systems, fabric, plant etc to replace end-of-life equipment, address backlog maintenance issues and bring the building up to modern standards.</p> <p>Delivery of a programme of enhancements to the building addressing issues that currently negatively impact on the building’s commercial operation.</p> <p>This option includes the delivery of the full scope of the proposals within the RIBA Stage 2 report at Appendix 1B.</p>	<ul style="list-style-type: none"> • Programme estimated to cost in the region of £12,390,000. £11,350,000 for essential works and £1,040,000 for building enhancements • Opportunity would be expected to be attractive to the market due to the works that have been completed in the building and therefore it is likely that the council will successfully secure a new operator • Building repair and maintenance liability would be expected to transfer to the new operator, as per the council’s specification for the contract¹ • Low risk of a failure within the building with the expectations that liability within the contract for such failures will transfer to the operator¹ • Commerciality of the building enhanced therefore no management fee expected to be required, with the potential for income to come to the council from the contract delivering a saving of approximately £165,000 per annum¹

¹ This is currently an assumption based on market insight, but cannot be definitively confirmed until the new operator procurement is complete and a contract is signed.

From the description of the options and the potential implications of each, options 1 and 2 are not viable if the council is to deliver its objective of the Colosseum being a sustainable building that successfully supports a high quality cultural venue for Watford. Both of these options would not address the fundamental issues within the building and would therefore require an extensive refurbishment (as described in other options) at some point in the not too distant future. Additionally these options may well mean the building is unattractive to the market and therefore mean that the council may not be successful in securing an operator, or that if a contract is secured significant responsibility for the building, with the associated and unbudgeted cost, would remain with the council, as well as significant liabilities if elements of the building were to fail. Therefore it is recommended that either options 3 or 4, both of which entail an extensive refurbishment should be selected.

The choice between options 3 and 4 is inherently linked to the benefit of the approximately £1m spend on building enhancements that will positively impact on the operation of the building for a future operator. This option is expected to deliver, across the life of the contract, a zero, or ideally positive, management fee, which would result in an annual saving of approximately £165,000, which over the life of a 15 year operator contract would pay back this additional investment nearly three times over. Additionally these enhancements will improve the audience experience within the venue and therefore would be expected to enhance the delivery of all of the non-financial benefits of a successful Colosseum operation.

Following consideration of the enhanced benefits case associated with the delivery of the building enhancements, option 4, the full commercial refurbishment of the Colosseum is the recommended option.

3.2 Project benefits

The delivery of the full commercial refurbishment of the Colosseum at a cost of £12,390,000 will, subject to the successful procurement of a new operator, enable the Colosseum to once again be a thriving cultural venue from the autumn of 2023 for at least the next 20 years before further works are required. The refurbishment of the Colosseum is an enabler of these benefits, as it provides a facility from which the new operator can operate and these benefits are therefore contingent on the procurement of a new operator. These benefits are the fundamental component of the Colosseum Refurbishment business case, as without the refurbishment these benefits cannot be realised and the value of the Colosseum to Watford would be lost.

The benefits case has been split into three broad categories:

1. Non-financial – benefits to the town and community from the Colosseum as a thriving cultural venue
2. Financial – quantifiable benefits to the council's financial position
3. Building – benefits associated with the protection and enhancement of the heritage building, including sustainability enhancements

3.2.1 Non-financial benefits

As noted above, the Colosseum is a key component of the life of Watford and a successful and vibrant Colosseum is dependent on the refurbishment of the building. The refurbishment and future operation of the building is therefore expected to contribute the following non-financial benefits to Watford.

- Economic contribution – the Colosseum attracts visitors and their associated spend into the Town Centre. Research from 2018/19 following the Arts Council England methodology found that the economic contribution of the Colosseum was more than £1.8m.²
- Employment opportunities – the Colosseum provides employment opportunities for 25 full-time and 70 casual staff, many of whom are in groups which have been particularly impacted by the pandemic
- Value of arts and culture – there is much research into the value of arts and culture to both individual's and society. As a cultural venue in Watford, with a different offer to the other cultural venues, the Colosseum contributes to the delivery of this value to the residents of Watford and the surrounding areas. Opportunities to access and participate in arts and culture are recognised to have a positive impact on people's health and well-being, contribute to community cohesion and making communities feel safer and stronger, reduce social exclusion and isolation and much more.³
- Volunteering opportunities – the Colosseum offers opportunities for volunteers in the community, which has been shown to have a well-being and social integration benefit.⁴

3.2.2 Financial benefits

The financial benefits arising from the Colosseum refurbishment project are all dependent on the outcome of the new operator procurement and the council's assumptions regarding the contract that will be secured through this project. The aspirations from this process are that the Colosseum will become cost neutral for the council:

1. No management fee to the operator, which is hoped will become positive i.e. the operator will ultimately pay the council and income / profit share
2. No retained building risk or liability i.e. the new operator will agree a full repairing and insuring lease

If these outcomes are secured from the new operator contract the council will save the existing budget of approximately £165,000. Although the council currently has responsibility for the external repairs and maintenance of the building there is no dedicated budget for these works, which when required have been paid for from a general reactive repairs budget that is used across the council's estate, as such the transfer of building risk will not enable a financial saving to be delivered.

3.2.3 Building benefits

The refurbishment will deliver the following benefits to the Colosseum building:

Benefit description	Measures
Building brought up to modern standards and end-of-life systems replaced	<ul style="list-style-type: none"> • Reduced ongoing repairs and maintenance costs • Reduction in audience complaints about building factors such as temperature • Building meets all required building standards (statutory compliance etc)
Accessibility	<ul style="list-style-type: none"> • Building assessed as accessible in accordance with DDA standards

² <https://www.gov.uk/government/publications/rapid-evidence-assessment-culture-and-heritage-valuation-studies>

³ <https://www.artscouncil.org.uk/exploring-value-arts-and-culture/value-arts-and-culture-people-and-society#>

⁴ https://www.heritagefund.org.uk/sites/default/files/media/research/values_and_benefits_of_heritage_2015.pdf

Benefit description	Measures
Enhanced utility efficiency (contributing to the council's net zero carbon sustainability target ⁵)	<ul style="list-style-type: none"> • Reduced electricity consumption • Reduced gas consumption • Reduced water consumption • Reduced carbon footprint of the building
Preserved heritage asset	<ul style="list-style-type: none"> • Heritage asset is maintained in accordance with the council's legal obligations
Enhanced customer experience	<ul style="list-style-type: none"> • Increased satisfaction from customers • Reduction in audience complaints about building factors such as temperature • Increased ability to attract a wider range of diverse performers

3.3 Key Assumptions

As stated above, the identified financial benefits will arise from the new Colosseum operator contract, but are enabled by the refurbishment project. There are four key areas in which assumptions have been made that need to be considered, where the deal struck may not meet the council's aspirations.

1. Building risk transfer where the council is not able to secure a full repairing and insuring lease. In this situation some responsibility, such as external repairs and maintenance with the consequent budget requirement, would stay with the council.
2. A Management Fee, where the council has to pay the operator may be required and the required management fee / income may not be flat i.e. a management fee may be required in the early years of the contract as the operator becomes established
3. The length of the lease - for the council to secure a commercial deal, a more lengthy lease may need to be considered
4. The community use in the day will be subject to the final deal with an operator and there may be a trade off with the commerciality of any deal secured given the impact on the operator of facilitating community daytime use.

In all cases the council's aspirations for both the financial and non-financial benefits delivered may be reduced; however given the improvements made to the building and the changed market since the previous contract was procured it is expected that the existing £165,000 budget would be sufficient to cover the council's ongoing financial requirements for the Colosseum building and operation.

⁵ Benefit enabled by both the Colosseum Refurbishment and PSDS projects

4. Commercial case

4.1 Refurbishment

To deliver the Colosseum Refurbishment the council have a contract with Mace Consult Limited to provide Lead Consultant, Multi-Disciplinary Design and Project Management services. They have been working with Feilden Clegg Bradley Studios who are providing Architectural Services for the Colosseum Refurbishment project. The consultant team, along with Watford Borough Council officers have worked through to the development of RIBA Stage 2 designs and are currently working on RIBA Stage 3 designs.

They have completed work to develop a procurement and delivery route for the refurbishment, which takes into account the council's objectives, risk appetite and wider constraints and dependencies. This recommends that the council follows a two-stage Design and Build route for the delivery of the refurbishment as this better satisfies the council's criteria than a traditional route. This route offers the best prospect of programme adherence and transfers programme, cost and design risk to the contractor. This route would also enable synergies to be explored with the Town Hall refurbishment works (see Appendix 2), which would provide time and cost efficiencies to the council.

The detailed procurement strategy and approach has not yet been developed; however it is anticipated that the council will competitively tender the contract from an established framework to which the council has access. This approach de-risks the process as the framework has already established terms and conditions and competitively tendered rates and has an agreed set of available companies who are capable and likely to submit bids. The approach can also be completed faster than an open / restricted process.

4.2 New Operator

4.2.1 Market Overview

The market for operating theatres on behalf of local authorities can be considered to be split into three types of operators as summarised below:

- **Theatre Operators**, such as HQ Theatres, Selladoor, Ambassador Theatre Group (ATG), who all specifically focus on theatres and operate venues. Many of these either partner or have separate production arms and some have Not for Profit Subsidiaries.
- **Theatre Trusts**, where local trusts (as is the case with the Palace Theatre) operate single venues but also may be seeking to expand.
- **Leisure & Cultural Operators**, for example BH Live, Parkwood Theatres, GLL and SLM (the council's leisure operators) who operate theatres as part of their wider portfolio and can bring added value. Within this group organisations such as BH Live and Parkwood Theatres have developed specific groups to deliver this aspect but other organisations tend to operate as part of their portfolio.

The market for theatre operators is limited as illustrated above and this has been reinforced through the market engagement process the council undertook in 2019, with only two organisations providing feedback through the questionnaire. This does not however mean that these will be the only bidders, as it is not uncommon for operators to only register their interest once the procurement process has been launched.

The market is currently in a position where venues are starting to open up following Covid-19 and, whilst it is still early in the recovery phase, many operators are positive about the longer term, with there being both:

- Content that hasn't been delivered for circa 18 – 24 months meaning that there is likely to be a significant amount of content to be placed in venues over the coming years
- Built up customer demand from event goers who have been deprived of their events and shows over the last 18 – 24 months

Research has suggested that whilst the theatre market is challenging at present, in the longer term audiences could return to higher than pre-covid levels, with more focus on local attendance and a greater appreciation of digital content or enhancement.

Given the anticipated timescale of the Colosseum refurbishment, the above would suggest that the Colosseum is ideally placed to maximise on the pent up demand and benefit from the long term approach.

4.2.2 Operator Engagement

As part of the development of the procurement strategy for the future operation of the Colosseum further operator engagement was undertaken in July 2021. The opportunity was sent to the operators to seek updated feedback on a number of areas, including:

- Has the level of interest changed in the market from the previous procurement?
- Does the proposed design still meet the market requirements and deliver on the council's outcomes?
- Is the council's ambition of seeking to get to a break even position and a full repairing and renewal risk transfer for the Colosseum reasonable?
- Has Covid impacted on the market at all?

Three well-established operators expressed a positive interest in the Colosseum opportunity and the council could expect these three operators to submit bids, which is in line with the previous procurement and in line with market expectations.

The feedback from the operators suggest that the procurement strategy the council is undertaking and the outcomes that are being sought have the potential to be achieved, with the engagement feedback indicating:

- The design and investment is likely to deliver significant improvement on the commercial return, however it should be recognised that the Colosseum will have been closed for over two years by the time it reopens and it can be considered to be a new venue launch, with the commercial position of at least breakeven potentially taking time to be achieved. This may mean that the Colosseum will require revenue support from the council in the first few years
- The potential for operators to take on full repair and renewal risk will depend on the detailed analysis of the investment, but the principle of taking on this risk is understood by the operators, assuming that the refurbishment investment deals with all the major issues as outlined in the RIBA stage 2 report in Appendix 1B.
- All respondees confirmed that they are in a position where their anticipated Covid recovery suggests that they will be back to operating as normal by the re-opening of the Colosseum, assuming no further lockdowns or restrictions. The impact on the market is likely in the early years to be positive with customers returning and content being available following effectively two years without content.
- A contract length of up to 25 years is likely to be necessary to drive the benefits outlined above.

Those operators that responded were positive about the future opportunity and welcomed the procurement strategy of using negotiation to ensure that the council's outcomes could be delivered. At this stage of the process the principles were understood, but recognising that the detailed development of bids would take place during the procurement and the negotiation approach.

Ultimately, the engagement with the operators has suggested that the council outcomes of achieving a better commercial position and also transferring full life cycle risk are achievable subject to the scale of the refurbishment programme.

4.2.3 Market Demand

Whilst the soft market testing has indicated that there will be interest on the supply side in relation to the Colosseum operator, the council has also consulted with residents and visitors of the town. The Colosseum survey, circulated over the council's social media channels in May 2021, provided the council with a wealth of knowledge and feedback:

- Out of 145 respondents, 99 stated that they would combine their visit to the Colosseum with a visit to shops, a restaurant or bar / restaurant.
- 77.49% of respondents said they were 'likely' or 'very likely' to combine a trip to the Colosseum with a visit to a pub or bar.
- 57.73% of respondents said they would be more likely to recommend Watford as a place to live / visit / work when the Colosseum re-opens
- A fuller more diverse programme of events would increase use in the Colosseum and attract a wider range of visitors
- The Colosseum should promote events which are attractive to young people who live in the area and want to engage

Ultimately, the public engagement has indicated that there is demand for a diverse programme of activities and event at the Colosseum which will bring a wider benefits to the town and, in particular, the High Street.

4.3 Procurement Strategy Overview

The following key principles are the basis of the procurement strategy:

- Contract Length would be 15 years, with the potential to discuss variant bids up to 25 years
- There are a number of key outcomes which will need to be reflected in the specification and the bidders' response, including
 - Bidders will be expected to provide an outcomes delivery plan on how they will improve the customer experience, increase attendance and ticket levels and ensure innovation
 - The specification will be developed to reflect best practice in the industry
 - Bidders should outline how they will deliver greater daytime use
 - There is an expectation that the future operator will deliver a community and education programme
 - A revised concessionary pricing policy will be developed for the contractor to follow
- Key contract terms to be incorporated in the contract would include:

-
- Operator to take a Full, Repairing and Insuring Lease on the building meaning that all of the risk and cost of the building will be borne by the operator
 - An income share arrangement is preferred to a profit share agreement
 - The council may be willing to consider revenue support in the early years of the contract, but this will need to no longer be required once the Colosseum is re-established. The council will expect a positive income share once the Colosseum is re-established.

The council will follow the Competitive Procedure with Negotiation procurement route to enable the council to discuss a number of different solutions and variations through the process, ensuring that the best outcome is achieved, including securing input to the design development process from operators. It is the council's intention to complete the procurement process and award a contract to the preferred bidder by autumn 2022.

The procurement strategy the council have adopted is the best approach to maximising and delivering the outcomes, through allowing dialogue and input into the design process to ensure the future operation reflects the delivery of a successful programme and focus on full transfer of risk.

5. Financial Case

5.1 Expenditure and Costing Profile

5.1.1 Revenue case

The council's expectation is that through the refurbishment of the Colosseum, both the core building and building enhancements to support its commerciality, a contract with a new operator will on average cost the council nothing across the life of the contract and that the new operator will take on the full building risk for the life of the contract. As such the revenue case is very simple with the expectation that there will be £0 required to support the ongoing operation of the colosseum as a cultural venue in Watford. This case is however reliant on the assumptions made being valid and dependent on the outcome of the new operator procurement. The key assumptions are discussed in section **Error! Reference source not found.** with a detailed list of assumptions in Appendix 1A.

5.1.2 Capital expenditure

The total budget for the refurbishment of the Colosseum is £12.4m. The breakdown of this between the core building refurbishment and the commercial enhancements is shown in the table below.

Item	Cost / £k
Core building refurbishment	11,350
Building enhancements	1,040
Total	12,390

These costs, which are exclusive of VAT, include a 15% allowance for statutory fees, professional fees and surveys and approximately 7.5% contingency allowance. A detailed cost model with details of the assumptions made can be found in Appendix 1B.

5.2 Funding and Affordability

The delivery of the project will be funded from a range of sources comprising:

- Existing capital budget
- Benskin House Capital receipt
- Profit share from New Neighbourhoods development
- Capital receipts – non / low income generating and surplus sites
- PWLB borrowing

The funding allocation and affordability has been assessed at a programme, rather than at an individual project level. This is explained in the covering report for Cabinet on 6 December 2021 to which this business case is an appendix.

6. Management case

6.1 Key Risks

The refurbishment of the Colosseum is a significant project for the council and, as outlined within this business case, will bring about notable benefits for the town. As a result, risk management will be key in ensuring that the project is delivered successfully. The process for managing risks is detailed in section 6.2 and key project risks are captured below. A full list of risks will be actively monitored by the council's Project Manager via the project risk log.

Risk	Cause	Consequence	Risk Score	Action agreed to respond / mitigate / control	Updated Risk Score
Lack of ability to obtain listed building consent	Plans are not agreed by Historic England	Change of design, additional costs and extended timelines	3 x 4 = 12	Engage with Historic England and our internal Conservation Planning Officer as plans are developed	2 x 4 = 8
Cost of building materials and / or labour increase	Global and national supply chain issues	Increase costs, change of design	3 x 4 = 12	Sufficient contingency built into cost plan	2 x 4 = 8
Increase in Covid-19 cases leads to another national lockdown	Change in government guidance	Extended timeline for completion. Unable to complete refurbishment by Autumn 2023	2 x 4 = 8	Build allowance into programmes for working in Covid safe environment at all times.	2 x 4 = 8
The Colosseum is not re-open by autumn 2023	Changes to design, impact of Covid-19 lockdowns	Impact on ability for operator to ensure that the venue remains viable	2 x 3 = 6	Clear programme plan in place with sufficient contingency and impact of any delay on operators fully understood	2 x 2 = 4
Stakeholders are not kept informed on progress of the works	Lack of clear communication channels	Disengagement with the project, lack of clarity on when the venue will reopen impacting new launch	3 x 3 = 9	Clear communications plan in place and updates provided to THQ Stakeholder Group and Member Steering Group	2 x 2 = 4



Risk	Cause	Consequence	Risk Score	Action agreed to respond / mitigate / control	Updated Risk Score
Unable to secure an acceptable commercial deal with the operator	Changes in market, refurbishment does meet requirements	Not able to transfer the building risk, reduce the management fee and meet our other aspirations (community programme)	3 x 4 = 12	Soft market testing undertaken to understand operator requirements for the building and reasonable assumptions in relation to a commercial deal	2 x 4 = 8

6.2 Outline Arrangements for Risk Management

All aspects of the programme will operate in line with the council's Risk Management Strategy 2020. All projects within the programme will have a dedicated risk log in the format circulated by the Programme Manager, which will be consistent with the corporate documentation approved by the EPMO. Project Managers will:

- Be responsible for monitoring on a weekly basis and updating their project risk log as and when risks are identified / assessment changes
- Ensure that any risks identified are mitigated as far as possible and that any action taken to do so is appropriately recorded
- Capture all dependencies as risks highlighting the consequence if the dependency is not delivered as anticipated
- Include an updated risk log in each update report to the Programme Manager, identifying any additions or amendments to the log
- Report back on key project risks at each project board meeting so that any operational changes can be made to mitigate the risk
- Report back on key project risks at each programme board and Member Steering Group meetings to ensure that these can be considered collaboratively and any interdependencies identified
- Identify whether any project risks require additional action by the programme board or its members to mitigate the risk from being realised

By reporting all project risks in this way, an overview of risks to the programme can be monitored and managed. Risks which may appear minor to an individual project may have the potential to cause significant issues for other projects within the programme should they be realised, hence the importance of maintaining such an overview.

The Programme Manager will subsequently be responsible for the programme risk log which captures any risks that pose a threat to the overall delivery of the programme. The Programme Manager will:

- Be responsible for monitoring and updating the programme risk log so that these can be managed operationally
- Maintain an oversight of all dependencies between projects and external (to the programme) initiatives to ensure that risks are mitigated
- Ensure that any risks identified are mitigated as far as possible and that any action taken to do so is appropriately recorded
- Decide, through the project highlight reports, whether any risk identified by individual projects poses a threat to the delivery of the programme and its ability to meet its objectives within the given timescales. If such risks are identified, the Programme Manager will additionally record these on the programme risk log
- Include an updated programme risk log in the monthly highlight reports to the programme board and Member Steering Group, identifying any additions or amendments to the log
- Report all programme risks to the Programme Board and Member Steering Group at each meeting and highlight key risks

It should be noted that any risks with a current risk score of 9 or above should be escalated to the council's corporate risk register, in line with the council's Risk Management Strategy. Furthermore, sponsors should ensure that the risk of delivery for any project they are sponsoring is captured on

their service risk register. The council's Enterprise Programme Management Office (EPMO) will be responsible for managing this.

6.3 Outline Arrangements for Change and Contract Management

The Programme Manager will be responsible for preparing highlight reports for the Programme Board. The highlight report will be discussed at the monthly Programme Board meeting and will be provided to the EPMO in accordance with the EPMO schedule. It will be reviewed in detail by the EPMO Assurance Group, who may additionally request attendance of the Programme Manager or constituent Project Managers to undertake a deep dive review of the programme or individual project.

All Project Managers will be required to support the preparation of the highlight report by providing relevant and timely updates to the Programme Manager in the form of individual project highlight reports.

The programme highlight reports, including details of its component projects, will allow an ongoing assessment of any potential variations to the project/programme plan and will outline key risks, issues and interdependencies. Any variations from the agreed plan, including in relation to the refurbishment timescale slippage, cost or resource changes and scope amendment, will be managed in the following way:

Variance	Programme	Project
Time	<p>Programme Manager, has the authority to amend any sub-milestones in the programme plan providing that the programme end date does not change</p> <p>Anything impacting on the programme end date will require sign-off via a change request by the programme board and, subsequently, the Member Steering Group</p>	<p>Project Manager has the authority to amend any sub-milestones in the project plan, providing that the project end date does not change and that any interdependencies are considered in the event that key milestones are likely to be missed. This must be undertaken in consultation with the Programme Manager who will identify if the variance is likely to impact a dependency elsewhere within the programme. If this is the case, a change request to the programme board will be required</p> <p>Anything impacting on the project end date will require sign off from the project board. This must be undertaken in consultation with the Programme Manager who will identify if the variance is likely to impact a dependency elsewhere within the programme. If this is the case, a change request to the programme board will be required</p>
Cost	<p>Any variation in the programme's total cost will need to be raised with the programme board initially and will ultimately require sign off by Full Council</p>	<p>A contingency should be built into all project budgets and should not be exceeded without a formal change request</p> <p>Requests for additional funds by projects, drawing down from the programme contingency, will need to be submitted as a change request and can be authorised by the programme board, providing that this will not impact the final total programme budget</p>

Variance	Programme	Project
Quality / benefits	Any anticipated variation in quality / benefits relating to the programme will require approval from the programme board through a formal change request.	Any anticipated variation in quality / benefits relating to the project will require approval from the project board through a formal change request, which may require escalation to the programme board The Project Manager will retain responsibility for ensuring that the anticipated final outcome of the project is continually measured against the original anticipated quality / benefits

6.4 Member Steering Group

Since the formal initiation of the Town Hall Quarter programme in January 2021 and throughout the development of the business case, the programme has been overseen by a Member Steering Group, chaired by the Elected Mayor. The members of the Member Steering Group can be seen on diagram 2 in section 6.5.1 of this business case.

The Member Steering Group has had an ongoing role in shaping the direction of the programme and its constituent projects, receiving reports for comment relating to:

- Performance of the project against council's corporate objectives
- Performance against declared project objectives
- Programme
- Risks and issues
- Commercial and financial considerations
- Masterplanning and design
- Procurement matters
- Project budgets and expenditure

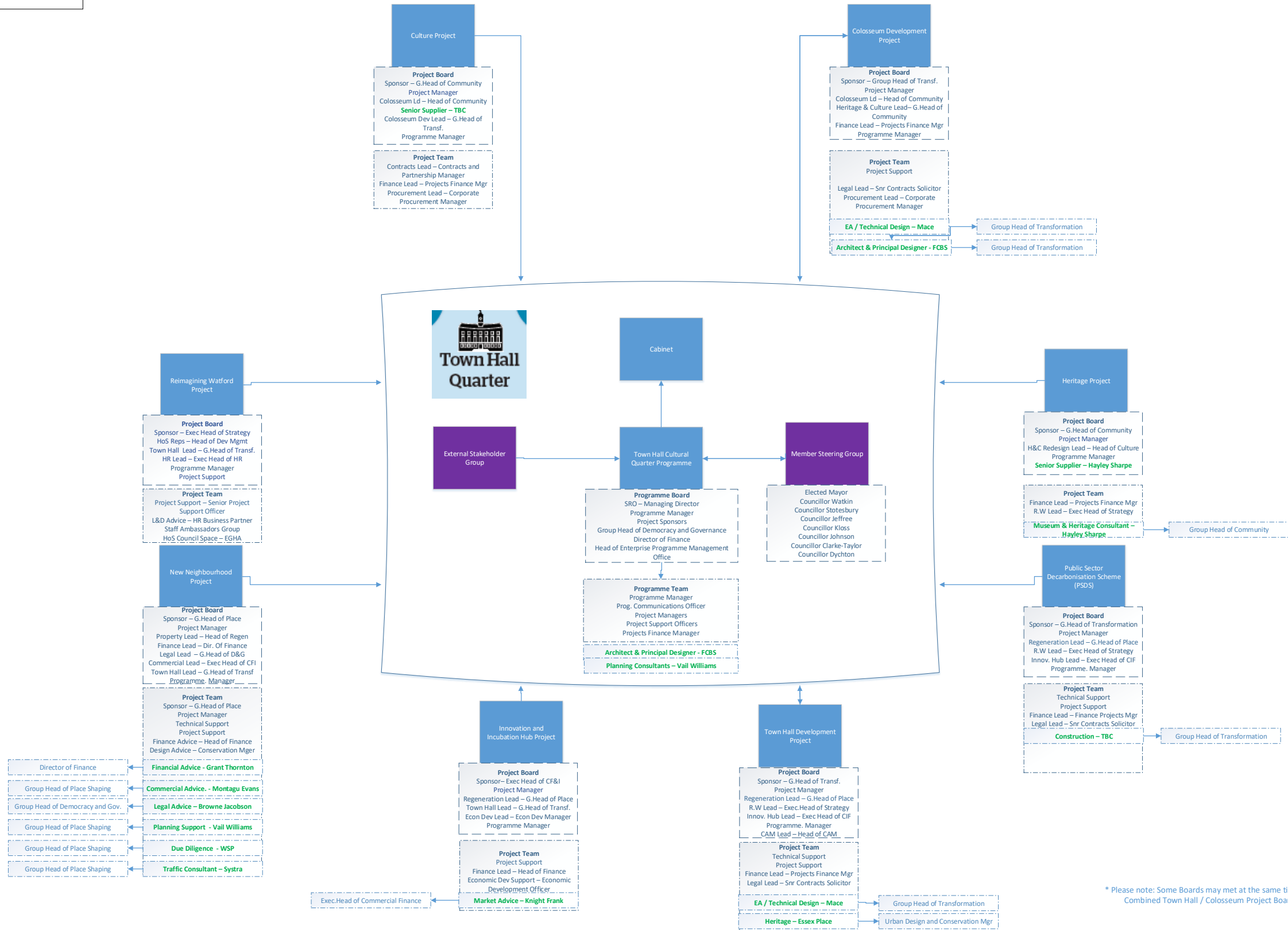
This political oversight will continue as, subject to approval of the business case, the programme progresses. As previously, where a report is taken that requires a formal decision, in accordance with the executive scheme of delegation this will be taken by the Mayor after consideration of the views of the Steering Group and having had the benefit of officer advice.

6.5 Programme management arrangements

As part of the Town Hall Quarter programme, the Colosseum project will report into the Town Hall Quarter Programme Board. This will enable programme risks, issues and dependencies to be managed and instil a discipline and consistency across the programme. Full details of these operational arrangements can be seen in the Programme Definition Document.

The below diagram provides an overview of the programme governance arrangements:

Town Hall Quarter Programme Structure



* Please note: Some Boards may meet at the same time (ie – Combined Town Hall / Colosseum Project Board)

6.5.1 Programme Board

The Programme Board will meet monthly, with the following responsibilities:

- Provision of overall guidance and direction ensuring the programme remains on track against time, cost and quality requirements
- Internal approval of key deliverables
- Review and approval of the programme plan and any exception plans
- Support and oversight of risk management processes
- Approval of changes
- Resolving strategic and directional issues

6.5.2 Programme Board Membership

The following table details the membership of the Programme Board:

Job Title	Programme Role	Responsibilities
Managing Director	SRO (Programme Board Chair)	<ul style="list-style-type: none"> • Continuous overview of programme viability and delivery • Accountable for the delivery of the overall programme and the achievement of objectives • Decision maker for any delegated approvals
Group Head of Place Shaping	New Neighbourhood Project Sponsor	<ul style="list-style-type: none"> • Accountable for the successful delivery of the New Neighbourhood project • Representative of the New Neighbourhood project at Programme Board level
Group Head of Transformation	Town Hall Development and Colosseum Project Sponsor	<ul style="list-style-type: none"> • Accountable for the successful delivery of the Town Hall Development and Colosseum projects • Representative of the Town Hall Development and Colosseum projects at Programme Board level
Executive Head of Strategy and Communications	Reimagining Watford Project Sponsor	<ul style="list-style-type: none"> • Accountable for the successful delivery of the Reimagining Watford project • Representative of the Reimagining Watford project at Programme Board level
Group Head of Community and Environmental Services	Culture and Heritage Project Sponsor	<ul style="list-style-type: none"> • Accountable for the successful delivery of the Culture and Heritage project • Representative of the Culture and Heritage project at Programme Board level
Executive Head of Commercial Finance and Innovation	Innovation and Incubation Hub Project Sponsor	<ul style="list-style-type: none"> • Accountable for the successful delivery of the Innovation and Incubation Hub project • Representative of the Innovation and Incubation project at Programme Board level

Job Title	Programme Role	Responsibilities
Group Head of Democracy and Governance	Legal Lead	<ul style="list-style-type: none"> Oversight and advice relating to all legal aspects of the programme Client management of Legal Advisers
Shared Director of Finance	Finance Lead	<ul style="list-style-type: none"> Oversight and advice relating to all financial aspects of the programme Client management of Financial Advisers
Head of EPMO	Programme Assurance	<ul style="list-style-type: none"> Ensuring that the project complies with EPMO and WBC Governance requirements

6.6 Colosseum Project roles and responsibilities

6.6.1 Colosseum Project Board

The Colosseum Project Board will meet on a monthly basis, prior to the Town Hall Quarter Programme Board. Project Boards will be tasked with the following responsibilities:

- Provision of overall guidance and direction ensuring the project remains on track against time, cost and quality requirements
- Discussion and review of key deliverables, submitting any recommendations to the programme board
- Review and approval of the project plan and the recommendation of any exception reports / change requests to the programme board
- Support and oversight of risk management processes

6.6.2 Colosseum Project Board Membership

The following table details the membership of the Project Board:

Job Title	Programme Role	Responsibilities
Group Head of Transformation	Colosseum and Town Hall Refurbishment Project Sponsor	<ul style="list-style-type: none"> Accountable for the successful delivery of the Colosseum project Decision maker for any delegated approvals
Senior Project Manager	Project Manager	<ul style="list-style-type: none"> Daily, operational management of the project, (resource and budget) Ensuring that the necessary actions to meet the key milestones in the project plan are undertaken by members of the project team Reporting on the progress of the project to the Programme Manager Client management of EA / Technical Design (Mace) and Architect / Principle Designer (FCBS) Active management of project risks and issues

Job Title	Programme Role	Responsibilities
Group Head of Community and Environmental Services	Heritage and Culture Lead	<ul style="list-style-type: none"> Ensuring that heritage and culture requirements are understood in relation to the Colosseum project, including the impact of these requirements on the space needed
Head of Leisure and Community	Colosseum Lead	<ul style="list-style-type: none"> Ensuring that the operational impact of the project is understood and aligned Subject matter expert on the Colosseum and the existing strategic and operational management of the service on the building works
Finance Projects Manager	Project Finance Lead	<ul style="list-style-type: none"> Oversight and advice relating to all financial aspects of the project
Head of Corporate Asset Management	Asset Lead	<ul style="list-style-type: none"> Knowledge and expertise in relation to the Town Hall building, maintenance, compliance and accessibility.
Programme Manager	Programme Manager	<ul style="list-style-type: none"> Oversight across the programme, including management of programme level risks, issues and dependencies Development and maintenance of programme timescales and impact on individual projects

6.7 Project Plan

The below plan provides a high level overview of the delivery through to the reopening of the Colosseum in Autumn 2023. It should be noted that this will be developed further once the detailed designs and the associated construction programme has been confirmed.

				2021				2022												2023											
				Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Project	Activity	Start date	End date																												
Colosseum	RIBA Stage 3	Oct-21	Feb-22																												
	Procurement	Mar-22	Jun-22																												
	Statutory Approvals	Apr-22	Jul-22																												
	RIBA Stage 4: Detailed designs	Jul-22	Nov-22																												
	Enabling works	Jul-22	Nov-22																												
	Full Business Case	Nov-22	Nov-22																												
	RIBA Stage 5: Construction	Nov-22	Oct-23																												

Appendices

Appendix 1A – Assumptions

- A new operator is successful procured
 - New operator takes FRI lease and all building liability
 - New operator contract delivers a £0 management fee as a minimum
 - Refurbishment complete and venue reopens in autumn 2023
 - The terms (such as the contract length and programme) to secure the council's financial aspirations from the new operator contract will be acceptable
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- Appendix 1B – Colosseum Refurbishment RIBA Stage 2 Overview
 - Appendix 1C – Equality Impact Assessment