



# **Town Hall Quarter Programme: Town Hall Refurbishment Outline Business Case**

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## 1. Executive Summary

The Town Hall is a 1930s heritage building located at the northern end of Watford town centre and is currently the home of Watford Borough Council. The revitalisation of the building enabled by the refurbishment 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 building is under-utilised, particularly given the change in ways of working as a result of the Covid-19 pandemic, and is in need of significant refurbishment. There is therefore an opportunity to fundamentally change the way in which the Town Hall is used, to seek to maximise the value the building brings to the community and council through finding additional uses for the space with a particular objective to open it up for more community use.

This business case proposes the refurbishment of building and its future use as the location of Watford Museum, a significantly reduced but predominantly collaborative council space and the home of the proposed Innovation and Incubation Hub. The designs also include an on-site public café opening out on to the new town square delivered through the public realm improvements by our New Neighbourhood Joint Venture partners and space for community and commercial use. The anticipated cost of the works stand at £11.55m and cover not just the much needed refurbishment of the main Town Hall building, but also the fit out for the Museum towards the front of the building, currently housing the Committee Rooms on the first floor and the IT server room and part of the current Colosseum space on the ground floor, the fit out of the Innovation and Incubation hub, the demolition of the semi-permanent building known as the Terrapin adjacent to Peace Prospect and the refurbishment of the Annexe, situated towards the rear of the main Town Hall building.

These works will collectively deliver significant benefits to residents, the town and the council.

- A refreshed, exciting and modern museum offer would be available in the heritage rooms and part of the ground floor of the Town Hall for residents and visitors, creating a cultural hub with the Colosseum and driving further footfall to the town centre, supporting our local businesses. This would allow the sale of Benskin House which is no longer suitable as a location for a modern museum and realise a capital receipt.
- The Innovation and Incubation Hub, managed by an experienced operator, would serve to support the local economy and actively grow small start-up businesses. It typically offers a structured growth pathway for businesses, through a range of packages, resulting in newly created businesses moving onto their own accommodation as they expand, making way for newcomers to start their journey.
- The introduction of agile ways of working for the council and the adoption of new values and behaviours will allow the council footprint to reduce significantly freeing up the existing space for the above uses. The Town Hall space available for council staff will be focused on collaboration, building on the lessons learnt and new ways of working embraced over the last 18 months to provide the best service for customers, residents and businesses.

Whilst a number of options, including do nothing, do minimum and a building refurbishment with an extension, were considered, the only affordable 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 existing buildings and the fit out to serve the proposed future uses of the Town Hall.

Whilst the refurbishment of the Town Hall itself will bring benefits including a reduction in ongoing repairs and maintenance costs, enhanced utility efficiency and improved accessibility, it also enables

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significant benefits through creating space from which the other uses can operate with the key benefits being delivered by those uses.

The relocated and reimagined Museum is expected to deliver a range of benefits including a 150% increase in visitor numbers, 200% increase in volunteer hours and increased employment within the town. It will also provide an enhanced visitor experience, maximising opportunities to access and participate in heritage and culture activities, providing additional opportunities for skills development and adult learning and delivering an education programme for young people and children. In addition, there is a significantly increased estimated economic impact from a new museum to the town of £380k per annum, from £104k currently.

Similarly, the Innovation and Incubation Hub will support small and medium enterprises across the region to become established businesses, boosting employment through support packages and providing sector growth through occupants ‘clustering’ in one place. It will also create higher value direct job and indirect local supply chain employment contributing to the local economy and breathe new life into the Town Hall Quarter as parts of its regeneration through the provision of a flexible space for businesses to grow and reducing the need to commute away from the town. It is estimated that every two years 60 people in 20 businesses will ‘graduate’ from the Hub with six businesses successfully transitioning from being classed as ‘micro’ to ‘small’. Whilst longer term benefits such as an increased business survival rate, an increase in FTE job numbers across the town and an increased number of business collaborations are expected, these will be confirmed in the Full Business Case following the procurement of an operator for the Hub.

As well as providing greater openness of the Town Hall and access to local democracy, the new space will provide fit-for-purpose, value for money space available for the use of community organisations (e.g. meeting rooms, counselling space, touchdown working space) opening the Town Hall up to the community. New council office space on a much reduced footprint with modern, fit-for-purpose accommodation will provide modern facilities for use by members and staff and is expected to provide greater opportunities for staff to collaborate, improve staff wellbeing, motivation and morale and ultimately provide a better experience for customers and an enhanced ability for the council to recruit and retain high quality staff. This will enable the council’s office accommodation footprint to reduce by around 74% reducing the running cost of this accommodation by approximately £300,000 per annum. Additionally there will be less requirement for staff to travel, reducing local congestion and improving the council’s carbon footprint whilst new accommodation for members will allow them to meet and engage with residents and the community, improving the council’s reputation as a professional organisation.

Financially the proposed future usage of the Town Hall is expected to deliver a saving of £140,000 per annum (averaged across an eight year period). This arises from a number of areas, both increased costs and increased revenues. New staffing to support the longer opening hours of the museum and new bespoke off-site storage for the museum collections which total a revenue growth of £100,000 per year. It is also expected that the Innovation and Incubation Hub will deliver an income to the council of approximately £100,000 per year. There will be building-related savings from the decommissioning of Benskin House and income from space in the Town Hall not used by the council for direct purposes being rented to third parties. Additionally the proposed refurbishment will remove the need for an approximate £6m backlog maintenance programme at both the Town Hall and Benskin House.

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

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programme, cost and residual design risk to the contractor. This route also would enable synergies to be explored with the Colosseum refurbishment (see Appendix 1), which would provide time and cost efficiencies to the council. The second procurement relates to securing an operator for the Innovation and Incubation Hub. The council does not have the capacity or capability to manage the operation of a hub directly. Therefore the proposal is to go to the market to procure an operator. The exact nature of any commercial terms would need to be established; however, the model that appears to have the most alignment to the council's requirements is the operator management fee arrangement, whereby the council would keep control of the building and enter into a contract with a suitably experienced operator who would deliver the services in the hub and be managed by the council on the basis of the KPIs set and agreed at the outset. Furthermore, the soft market testing exercise received three submissions, all experienced operators of innovation hubs. All expressed an interest in the proposition, including the location of Watford itself and the Town Hall, and all believed that they could operate a profitable operation for both themselves and the council in this context.

It is expected that the Town Hall refurbishment will be completed in May 2024 allowing the council staff to move back in from their temporary accommodation on the top two floors of the Annexe. The Innovation and Incubation Hub and Museum fit out work would then commence with the Hub opening in summer 2024 and the Museum ready to open in May 2025.

The project will be managed via a dedicated 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 Town Hall is recommended to Cabinet for approval.

## 2. Strategic Case

### 2.1 Background

The Town Hall is a 1930s civic building situated at the northern end of Watford High Street and currently the main offices of Watford Borough Council. Significant refurbishment of the Town Hall building is required which will allow continued use of the facility in the longer term as well as protection of this important heritage building within the town. Given that the building is manifestly under-utilised, even prior to the Covid-19 pandemic, the refurbishment of the building will provide an opportunity for it to be used for additional purposes, utilising the space fully and complementing the rest of the Town Hall Quarter vision to revitalise this part of the town centre. The layout and heritage nature of the building makes it challenging to develop and previous ideas to use the space for other purposes were found to be commercially unviable. As a result, it is incumbent on the council to renovate and repurpose the building itself to maximise its use to provide enhanced value to the council and people of Watford.

This business case therefore pulls together a number of different projects from within the Town Hall Quarter programme to establish the best use of space within the Town Hall, ensuring that the associated refurbishment of the building meets the requirements of those who will be using it, including not just the council but also Watford Museum and the proposed Innovation and Incubation Hub, as the building is opened up more widely for the community. As such, this business case has been informed by the developing RIBA Stage 2 report, which sets out the future use of the building and the renovation works required to provide assurance in relation to the expected costs. This business case is a culmination of an intensive period of work for the programme team and brings together into one single document, associated business cases assessing the feasibility of an Innovation and Incubation Hub and the future of Watford Museum. These documents are provided as appendices for reference.

### 2.2 Context for Change

#### 2.2.1 Town Hall Background

The Town Hall is situated at the heart of the quarter it has given its name to and represents the physical location for other projects within the programme. The Town Hall currently houses the council offices, with two (of the four) floors of the Annexe building, to the rear of the main Town Hall building, rented to the NHS as a sexual health clinic and the BBC as the home of the BBC Concert Orchestra. At the current time, part of the ground floor of the Town Hall building is being used by the NHS as a Covid-19 vaccination clinic. Council staff have not worked wholesale from the Town Hall since the beginning of the pandemic (although face to face committee meetings resumed in May 2021) and even prior to Covid-19, the building was manifestly underutilised. Combined with the need for the building to be refurbished, this has provided an ideal opportunity to fundamentally review the use of the Town Hall.

#### 2.2.2 Context for Change

- The Town Hall requires significant investment to prevent a further decline into disrepair. It is a 1930s heritage building that is costly to run and maintain. Refurbishing the building will ensure that the council can focus its budget on priorities to best deliver services to our residents, businesses and community in the context of a challenging financial environment.
- The council has also successfully bid for a £3.7m grant from central government to decarbonise both the Town Hall and Colosseum. This will allow the council to make a significant contribution towards its commitment to hit a target of net carbon neutral by 2030, decarbonising both

buildings as part of the overall refurbishment, whilst doing this in a way which respects the heritage, age and listed status of the buildings.

- Even before the pandemic, the council were not fully utilising the entirety of the Town Hall building as a result of a reducing staff over the past decade and some pockets of more flexible working within the organisation. The Covid-19 pandemic has accelerated this trend with the majority of council staff having worked from home since March 2020. As outlined, in 2.5 below, staff and member feedback has indicated a desire for the retention of a physical base for the council but predominantly for collaborative working, significantly reducing the amount of floor space required. This frees up the Town Hall for other uses.
- Over the past 12 months, the council has been able to support the Covid-19 vaccine roll out by working with the NHS and opening the building up to the community as a vaccine centre. Many residents have visited the Town Hall for the first time and the freeing up of space as a result of the changes to the way in which the council operates provides an opportunity to open up the Town Hall to our community over the longer term.
- The number of online customer transactions with the council has increased to over 80% in the last 12 months. The customer need and subsequent space requirements for our Customer Service Centre has therefore changed significantly. There is no intention to remove face to face customer services, which remains important for many of our residents, particularly the more vulnerable in our community, but this significant change provides an opportunity to revisit the space requirements without impacting service delivery.
- The Colosseum is also in need of refurbishment as the council look to attract a commercial operator in the wake of the pandemic. Works to the Colosseum are scheduled to be completed by autumn 2023 and provide an opportunity to relink the two buildings.

## **2.3 Watford Museum**

### **2.3.1 Background**

Watford Museum has been based in Benskin House on the Lower High Street since 1981. Since then, the collection has increased from around 900 to c.35,000 individual objects. Since opening, it has developed a strong reputation for partnership working, community collaboration and engagement.

However, the current building is no longer fit-for-purpose and some exhibitions are outdated and have not been upgraded for nearly 20 years. The Town Hall refurbishment provides an opportunity to relocate the museum into the Town Hall, as part of the Town Hall Quarter, and enable it to sit at the heart of Watford's cultural offer. This is a significant opportunity that will enable the museum and heritage service to engage with, and be accessible to, a wider audience both locally and regionally. This will ensure that the museum continues to underpin the wider heritage service and act as a hub for the heritage and cultural offer within the town. The proposed relocation will provide the opportunity for the heritage service to develop new and engaging exhibitions which showcase more of the museum collections and tell the story of Watford both past and present.

Importantly, the proposed relocation will align with, and support a number of, emerging trends including improving health and wellbeing amongst local communities and residents, developing skills and opportunities, supporting town centre growth and development, improving access to heritage and more widely conserving and retaining the borough's important local history collections.

The proposed relocation will support, and be supported by, local development initiatives and add value to the existing visitor and tourism offer available within the Borough and County. The museum

and heritage service will work with and support Watford's diverse communities which have helped to shape the town that is present today and which will continue to develop in the future. The offer at the museum will expand beyond the permanent exhibition galleries to a changing programme of temporary exhibitions, an education and community programme, a programme of outreach and onsite activities, retail provision showcasing local producers and spaces which can be hired by the local community for a range of events and activities. It is expected that it will increase visitors to the museum to 25,000 per annum, create an additional 2.2 FTE jobs and support 50 volunteers. The Outline Business Case for the Museum can be seen at Appendix C.

### 2.3.2 Context for Change

- Condition Surveys for Benskin House, the Museum's current home, were undertaken in 2015, and updated in 2018, and identify a range of defects that need to be addressed in the short-term, with further items needing to be addressed in the next 3-5 years. To date, few of the identified actions have been completed. The cost of this maintenance work over the next years would be £2.1 million. Valuation work on the Museum has indicated that the council could expect a capital receipt of somewhere between £300,000 and £900,000 for the sale of Benskin House subject to the future usage of the building with the expected sale price reflecting the significant level of refurbishment required to deliver this future usage.
- Accessibility into, and around, the existing building is limited. The main entrance is not accessible to wheelchair users, complex internal door arrangements make access to lifts and stairs difficult and uneven floors and secondary staircases provide additional barriers. Some of these limitations will be hard to overcome even with capital investment due to the building's listing and is at odds with the council's inclusive values and ambition to provide access to local heritage and history to as many people as possible within the town.
- Storage of the existing collection is spread throughout the museum, including in offices. The majority is stored in the basement where there is a lack of proper storage furniture, which has resulted in overcrowding and means that physically working with the collection is very difficult. The environmental conditions in the basement are also problematic, with some rooms suffering from mould ingress.
- The existing Museum lacks a clear narrative focus, making it difficult for visitors to appreciate highlighted objects and focus on what makes Watford unique. As a result, the thematic arrangement of displays within the gallery spaces can be considered incongruous at times and the spatial balance of the thematic arrangement appears disproportionate in certain instances.
- Displays offer very little flexibility for updateability, preventing the Museum from rotating its extensive collection and integrating community perspectives via its partnership programme. Existing displays also have limited interactivity with very little to engage a younger audience.
- The location of Benskin House means that there is very little passing footfall; even when people do 'pass by' the Museum may not be open due to the limited opening hours. As a result, visitor numbers to the Museum are low compared to similar local museums and public consultation identified that many local people do not know the museum exists or feel it is for them.
- As a free admission site, income into the museum is limited. The shop offer is very small and does not appeal to all visitors, the charging policy on spaces is minimal and activities tend to be free of charge. As a result, the financial support provided to the Museum is significant with opportunities to mitigate this burden unable to be taken advantage of.

- Throughout the pandemic, Watford has seen a huge outpouring of community spirit with over 1,000 volunteers supporting the most vulnerable in our community through our Watford Together initiative. Creating a larger and more bustling Museum, open for longer hours, will provide an opportunity to work with the huge volunteer base that has been built up through Covid-19.

## 2.4 Innovation and Incubation Hub

### 2.4.1 Background

An Innovation and Incubation Hub is a facility to support a range of innovative businesses with potential to grow. As well as providing accommodation, it offers numerous support services, such as access to equipment, business networking, business guidance, training, mentoring, investment and funding opportunities. It typically offers a structured growth pathway for businesses, through a range of packages, resulting in newly created businesses moving onto their own accommodation as they expand, making way for newcomers to start their journey. It also promotes ‘clustering’ of businesses in a specific sector to stimulate further benefits. Revenues are generated from these packages and also from additional offers including rental of meeting room space and cafes.

An Innovation and Incubation Hub is one way that the council can support local businesses and the local economy following Covid-19 and the subsequent lockdowns. Multiple lockdowns as a result of the pandemic have not only meant many businesses have been unable to operate but have also led to a change in the way in which people work, with knock-on impacts. Watford is not alone in needing to support its local economy following the pandemic, but it does have particular challenges as it emerges from it. As a result, there is a need to use the scarce resources available as effectively as possible to re-build the local economy in a sustainable way after the pandemic. There are a number of issues that urgently need to be addressed, outlined in section 2.4.2, which can be achieved through the implementation of an Innovation and Incubation Hub with the space in the refurbished Town Hall and adjacent Annexe building providing a home for the facility. The Outline Business Case for the Innovation and Incubation Hub business case can be seen at Appendix 2C.

### 2.4.2 Context for Change

- Watford has a low employment rate and rising unemployment (as demonstrated by the increase in claimant rates which increased by 4.4% between March 2020 and 2021) which has been exacerbated by Covid-19. The employment rate of the working age population in Watford remains low at 72.6%. In response to the pandemic, the council has provided unprecedented support for local businesses and our Economic Growth Strategy sets out the longer term plan for supporting people with new skills and into work. An Innovation and Incubation Hub provides a practical way to deploy this support..
- Whilst Watford benefits from a young and ethnically diverse population today, it is forecast to have a decline in younger age demographics and an increase in the 65 and over population in coming years. Between 2021 and 2043 the population aged 0-15 years old is forecast to reduce by 12.0% compared to a reduction of 2.7% regionally and 2.1% nationally. It is therefore of critical importance that the council supports proposed interventions, such as an Innovation and Incubation Hub, to retain and attract this younger demographic.
- Watford businesses, in particular small businesses, experience high barriers to entry, including in establishing their own premises and growing to the size where they can support employment growth in the area e.g. technology infrastructure (podcast suites, laser cutters etc) can be prohibitively expensive to rent or buy. Such facilities are currently very limited locally and this is hampering business innovation.

- Market analysis has also been conducted by external consultants which has indicated that there is demand for such a facility within Watford. The council has also undertaken some high level research with the support of an experienced economic development analyst. This has included a range of interviews with stakeholders and operators. One of these initiatives was an online survey of local small businesses. This showed that there is an appetite for support, ranging from financing to practical business advice and mentoring, combined with a desire to network.
- Watford has had a more significant reliance on the retail sector than many other towns, with a large shopping offer centred on the Atria Centre. This was already in decline before the pandemic. The two anchor stores, John Lewis and Debenhams, have gone and some head office functions linked to retail (e.g. Mothercare) have closed. In parallel, Watford's theatres, cultural and creative activities and the whole of the hospitality sector have borne the brunt of the substantial economic shock.
- Whilst it is convenient for those in the capital to travel out to Watford, it has difficulty in attracting inward investment because the pull of London is so great.

## 2.5 Reimagining Watford

### 2.5.1 Background

Since March 2020, the vast majority of council staff have been working from home as per government guidance. More recently, advice to continue working from home has continued to allow for the decarbonisation works to take place within the Town Hall, although some space is available for both staff and members on the ground floor of the Town Hall and at a number of other sites within the borough, including Wiggenhall Depot, Cassiobury Hub and Cheslyn House. Fortunately, the council had already invested in personal IT kit and unified communications for all staff meaning that the practical transition to working from home was not as formidable as it once would have been. This prolonged period of working from home, along with feedback from our staff, changes to the way in which businesses are choosing to operate and the changing behaviour of our customers, has provided an ideal opportunity to review the way in which the council operates, where our staff and members work from and the space needed to deliver the very best service to customers. From June 2022 the council will use a temporary space on the top two floors of the Annexe building, situated to the rear of the main Town Hall. This space will be designed in consultation with staff and members and be primarily for collaborative working, recognising the significant reduction in the floor area needed for the council to operate.

### 2.5.2 Context for Change

- Engagement with staff, including our Staff Ambassadors' Group, has indicated that the vast majority of staff have preferred working from home over the last 18 months, with the transition not being as difficult as many had predicted. A better work life balance, an increase in productivity and the more agile approach have been quoted as reasons for this. We have an opportunity to implement a new way of working, which will reduce the cost of council accommodation, before staff return to the office.
- Some staff have, however, found working from home difficult and isolating. There have also been many examples of collaborative work that is not as productive when undertaken remotely and challenges for onboarding new members of staff, who would previously have been able to learn through 'osmosis' by being present in the Town Hall with colleagues. Staff have indicated that having space to collaborate and network with colleagues in the future would be of benefit but that working from home is better suited to 'quiet' work such as report writing, correspondence

and telephone calls. The overwhelming preference is for a hybrid working solution to be adopted moving forwards, which is in line with many other organisations in both the private and public sectors. This approach will balance the varying needs of staff, developing refreshed council values and behaviours and using these to shape the way we work, including our agile principles, to inform our future accommodation needs and, importantly in the context of the Town Hall, the amount of space required.

- Some services continue to operate from satellite sites. This includes the Community Protection team, made up of almost 40 officers, who are based at Wiggenshall Depot. This represents a significant proportion of the 230 strong council workforce and Reimagining Watford provides an opportunity to reunite the council, promoting shared values and behaviours and collaborative working across service areas, although the project will also allow for staff to work where they can best serve residents, including at other locations such as the Cassiobury Hub and North Watford Cemetery.
- Even before the pandemic, the Town Hall space itself was manifestly underutilised following a significant reduction in staff numbers over the past decade. The 1930s design of the building, with small offices and a lack of fit for purpose meeting space, does not lend itself to collaborative working.
- In order to continue providing excellent services to residents, businesses and our community, as well as delivering our ambitious programme of capital projects, there is a need for us to attract and retain excellent staff. Candidates are commonly attracted by the prospect of a more agile approach to work and fit-for-purpose, modern offices.

## 2.6 Key implications of not undertaking the project

The previous sections of this report represent a compelling driver for change. To help assess the drivers, opportunities and risks in undertaking the project, a SWOT analysis has been undertaken and is included below for reference:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Heritage buildings with high profile</li> <li>• A high profile scheme that is attracting experienced developers</li> <li>• Watford is attractive as a place to live, work and for leisure activities</li> <li>• The Council has experience of commercial projects</li> </ul>	<ul style="list-style-type: none"> <li>• Market failure means that the Council must act if the THQ buildings are to be preserved</li> <li>• Funding streams are not defined / guaranteed</li> <li>• Costs and time already invested are high and will rise further therefore need to demonstrate value for money</li> <li>• Site is in a conservation area which limits the potential to develop as needed</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Development of the heritage buildings to provide long term sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• The new neighbourhoods project is stalled or stopped thus impacting the rest of the programme</li> </ul>

<ul style="list-style-type: none"> <li>• Increased utilisation of buildings for a wider variety of uses</li> <li>• Create something innovative that will open up the buildings to a wider group of people and activities</li> <li>• Further grant funding opportunities to support the financing of the programme</li> <li>• Generate jobs</li> <li>• Collaboration with businesses to strengthen the town's attractiveness (e.g. Warner Bros)</li> <li>• Create town centre housing to help revitalise the town</li> <li>• Create an improved public realm</li> </ul>	<ul style="list-style-type: none"> <li>• The programme requires further funding from the Council</li> <li>• The I&amp;I Hub is not viable and cannot be implemented</li> <li>• A suitable operator cannot be found for the I&amp;I Hub</li> <li>• A suitable operator cannot be found for the Colosseum</li> <li>• Political changes result in a change of direction</li> </ul>
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Work to date has confirmed that to do nothing is not a viable option for the council (see 3.1 of this report for further details). In summary, the key implications of not proceeding with the programme are outlined below:

- **Town Hall** – if the Town Hall refurbishment works do not take place, the opportunity to enhance and increase the usage of the space will be lost. The Town Hall, situated within a prime location with the town centre, will continue to be underutilised and not opened up to the community. Some capital expenditure will be necessary to ensure that the building can continue to be operational, even if only urgent and necessary maintenance work is undertaken. Further revenue expenditure for maintenance would then be required in the coming years.
- **Museum** – if the Museum is not moved to the Town Hall, it would require £2.1m spending on maintenance over the next 10 years or a £3.1m capital investment to bring it up to the required standard. The opportunity to provide a much better and more accessible experience to visitors, bringing more people to our town centre and from the neighbouring Colosseum building, will also be lost.
- **Innovation and Incubation Hub** – if the Innovation and Incubation Hub is not implemented, the council will require a different way to help implement the Economic Growth Strategy to address some of the economic imbalances identified to support local businesses and the local economy following the shock of Covid-19. Furthermore, the Town Hall and Annexe space currently allocated for use by the Innovation and Incubation Hub would remain unoccupied and require the council to pursue a different option, such as renting out the space commercially which may not be straightforward.
- **Reimagining Watford** – if we do not proceed with the implementation of agile working, we will lose the opportunity to make the best use of the Town Hall building, harness the new ways of working which staff have told us have helped them to work more productively and will be unable to retain our position as an employer of choice, helping us to recruit and retain top talent.

## 2.7 Project objectives

- Implement refurbishments to provide the Town Hall building with a 35-40 year life expectancy
- Implement refurbishments to provide the Annexe building with a minimum 10 year life expectancy

- Ensure that the refurbishment of the Town Hall building meets the requirements for the Museum and Heritage service fit out, allowing the Museum to move from its current home in Benskin House to the Town Hall
- Ensure that the refurbishment of the Town Hall building meets the longer term requirements for the council staff and member fit out
- Ensure that the refurbishment of the Town Hall building provides an opportunity for opening up the space for the community
- Ensure that the refurbishment of the Town Hall and Annexe buildings meets the requirements of an Innovation and Incubation Hub
- Ensure retention of the council chamber and provision of fit for purpose space for other democratic purposes
- Ensure the requirements for the buildings to meet modern standards, including in relation to accessibility and compliance
- Ensure that the buildings are energy efficient and have integrated sustainability features
- Ensure that the Town Hall provides value for money in terms of ongoing operating and maintenance costs
- Ensure that the refurbishment of the Annexe building meets the short to medium term requirements for the council staff and member fit out, whilst meeting the requirements for commercial rent / Innovation and Incubation Hub.
- To interlink and join up the use of the Town Hall and Colosseum buildings as appropriate to their operation
- Ensure that the refurbishment is in keeping with the heritage of the building
- Ensure that the Town Hall works well with the improved public realm spaces introduced through the New Neighbourhood project.

## 2.8 Dependencies

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

- The delivery of the programme, as outlined in this business case, is dependent on the approval of funding by Full Council.
- The delivery of the programme, as outlined in this business case, is dependent on receiving the expected return on investment as part of the Joint Venture partnership in relation to the New Neighbourhood project.
- The delivery of the interim staff and member accommodation by spring 2022 is dependent on the Town Hall and Annexe building being out of use for the majority of staff between November 2021 and May 2022.
- The Town Hall delivery programme is dependent on the successful completion of the decarbonisation works by March 2022.

- The relocation of the Museum, the implementation of the Innovation and Incubation Hub and the ongoing delivery of council services (and the realisation of benefits associated with them) are dependent on the completion of the Town Hall refurbishment works.
- The successful transition of staff and members into the interim space within the Annexe is dependent on the completion of values and behaviours work and the associated culture change programme to implement agile working.
- If National Lottery Heritage funding (NLHF) is successful it will off-set the additional revenue costs forecast for longer museum opening hours and enhanced activity programme. Should NLHF funding not be forthcoming then the operating model of the museum and heritage service will need to be re-considered.
- The fit out of the museum cannot begin before the outcome of the National Lottery Heritage Funding is finalised.
- Parking for users of the Town Hall is dependent on the total number of spaces allocated within the New Neighbourhood.
- Appointment of an Innovation and Incubation Hub operator may influence the future requirements of the Town Hall and Annexe space.
- The longevity of the existing Annexe space is dependent on the proposals for joint venture partners on the New Neighbourhood.
- The success of the Innovation and Incubation Hub is partly dependent on additional successful grant funding.
- The mix of commercial and community space within the Town Hall is dependent on supply and demand of both uses.
- The successful progression of the programme is dependent on ongoing communication and engagement with stakeholders across the individual projects

It should be noted that a full list of dependencies will be captured on the programme dependencies log to be managed by the Programme Manager and overseen by the Town Hall Quarter Programme Board.

## 2.9 Constraints

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

- Decarbonisation funding must be spent by the end of the 2021/22 financial year.
- The Town Hall refurbishment must meet the requirements of Historic England as a result of its listed status. This is particularly true of the committee rooms, allocated for use of the Museum on the first floor, whereby both fixtures and fittings are similarly listed, constraining the level and type of exhibition that can be used within these spaces.
- A significant exercise needs to be undertaken by the museum and heritage team to fully understand the collection and prepare it for relocation and removal from Benskin House. Additional resource is being utilised to enable this to take place within the required time frames.

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- The council chamber must be retained for use for council democratic meetings. However, member group rooms and committee rooms will use other, modern and fit-for-purpose facilities within the Town Hall building in the long term and in the Annexe in the short to medium term.
  - 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. The optimum parking provision will be developed through the next phase of the programme in line with the revised requirements of all stakeholders.
  - The viability of the Innovation and Incubation Hub could be constrained by the level of commercial space proposed by joint venture partners elsewhere within the New Neighbourhood.



### 3. Economic case

#### 3.1 Possible options

The Town Hall refurbishment project has considered a number of options, both regarding the extent and nature of the refurbishment and of the future use of the Town Hall and adjacent Annexe building. Options regarding alternative commercial uses of the Town Hall building, such as for use as a hotel or care home have previously been assessed, but rejected as unviable for a number of reasons. The council therefore needs to take ownership of the delivery and funding of the refurbishment and for identifying how the building should be used in the future.

##### 3.1.1 Refurbishment options

Option	Description	Potential Implications
1. Do nothing	No refurbishment works would be completed and the Town Hall building would continue to be used as is as council offices with a reactive maintenance approach. The top two floors of the Annexe would be commercially let in their current state of repair.	<ul style="list-style-type: none"> <li>• Option does not deliver any of the objectives of the Town Hall refurbishment project or Town Hall Quarter programme</li> <li>• The Town Hall building would de-grade and would require extensive refurbishment at some point in the near future</li> <li>• Watford Museum would remain in a non-upgraded Benskin House</li> <li>• Commercial-let of the Annexe is likely to be challenging due to the state of repair and facilities within the space</li> </ul>



Option	Description	Potential Implications
2. Do minimum	<p>No refurbishment works would be completed and the Town Hall building would continue to be used as council offices; however work would be undertaken to complete backlog maintenance work to ensure the building is able to function for the next ten years. The top two floors of the Annexe would be commercially let in their current state of repair.</p>	<ul style="list-style-type: none"> <li>• Option does not deliver any of the desired non-financial outcomes of the Town Hall Quarter programme</li> <li>• Option does not increase the use of the Town Hall building</li> <li>• Watford Museum would remain at Benskin House</li> <li>• Commercial-let of the Annexe is likely to be challenging due to the state of repair and facilities within the space</li> <li>• Option would require approximately £6m capital spend to complete the required works at the Town Hall and Benskin House</li> </ul>
3. Building refurbishment	<p>The Town Hall and Annexe<sup>1</sup> buildings will be extensively refurbished to upgrade the buildings' fabric and diversify their use to increase utilisation.</p>	<ul style="list-style-type: none"> <li>• Option delivers increased use of the Town Hall building and Annexe providing fit-for-purpose space for the Museum, community-use, council offices and Innovation and Incubation Hub</li> <li>• Benskin House would be surplus and would provide a capital receipt</li> <li>• Operational building costs are affordable and within existing budgets. With the expectation of financial savings through contributions to these costs from "service charge" to building users providing an income stream.</li> <li>• Capital costs of £9.5m are assessed to be affordable with the funding available</li> </ul>

<sup>1</sup> Top two floors and common parts



Option	Description	Potential Implications
4. Building refurbishment plus extension	<p>The Town Hall and Annexe<sup>2</sup> buildings will be extensively refurbished to upgrade the buildings' fabric and diversify their use to increase utilisation. Additionally an extension would be built on the Town Hall to increase the space available.</p>	<ul style="list-style-type: none"> <li>• Option delivers increased use of the Town Hall building and Annexe providing fit-for-purpose space for the Museum, community-use, council offices and Innovation and Incubation Hub</li> <li>• Benskin House would be surplus and would provide a capital receipt</li> <li>• Operational building costs would increase and are not covered within existing budgets. If the expected use of the building extension was met this would cover these increased costs and would deliver financial savings; however, there is a financial risk to the council if this was not successful with a potential increased financial liability of in the region of £150,000 per annum.</li> <li>• Capital costs of between £12m and £15m are assessed to be unaffordable with the funding available</li> </ul>

From the description of the options and the potential implications of each option 1 and 2 are not viable if the council is to deliver its objectives for the Town Hall.

Options 3 and 4 are similar and both enable the council to fulfil its objectives for the future use of the buildings and provide space for the Museum, community-use, council offices and Innovation and Incubation Hub. Critically however the capital costs mean that option 4 is not affordable with the funding currently available and additionally option 4 provides an increased financial liability if the future uses of the building did not materialise and deliver financially as expected. Option 3 is therefore the recommended option as this will enable the council's objectives for the Town Hall to be delivered, can be delivered within the available capital funding, will not add any revenue pressure to the council's budget and will not increase the council's financial risk.

<sup>2</sup> Top two floors and common parts

### 3.1.2 Future Building use

Through the Town Hall Quarter programme the council's objectives are to deliver increased usage of the Town Hall and Annexe with a particular focus on providing space for:

- Watford Museum and Heritage Service
- Council office accommodation
- Community use
- Innovation and Incubation Hub

A range of options were explored through the development of designs for the refurbishment through the RIBA Stage 1 designs considering these uses from a design, financial and deliverability perspective. The recommended option from these RIBA Stage 1 designs that is being progressed through to RIBA Stage 2 and on which this outline business case has been developed includes the following key design features / uses:

1. Museum galleries located within the curved front of the Town Hall building with additional museum accommodation in the basement, ground and first floors
2. Chamber retained as-is, but utilised for museum tours
3. New accessible and visible large meeting room with modern facilities on the ground floor for council meetings (e.g. Cabinet, Overview and Scrutiny)
4. Mayor's office and Chairman's parlour retained, but utilised as multi-functional meeting spaces for Members in addition to museum tours
5. Community engagement space (café, meeting rooms etc) on the Town Hall ground floor
6. Council offices accommodated on the top floor of the Town Hall
7. Town Hall middle floor adjacent to Colosseum re-purposed as offices for the Colosseum operator
8. Town Hall middle floor generic office type accommodation
9. Annexe – ground, 2<sup>nd</sup> and 3<sup>rd</sup> floors – Innovation and Incubation Hub. If the Hub is deemed successful during the initial years then there would be potential to expand into floor 1 when the lease with HCC for the NHS expires (in 2031) and space on the first floor of the Town Hall.

## 3.2 Project benefits

The refurbishment of the Town Hall and Annexe buildings at an estimated cost of £9.5m to enable the usage as described in section 3.1.2 will, subject to the successful delivery of the individual projects associated with these usages, deliver significant benefits. Additionally the refurbishment will deliver significant benefits to the buildings that will reduce the cost of their operation, enhance their sustainability and protect and enhance the heritage elements of the Town Hall.

### 3.2.1 Non-financial benefits

#### 3.2.1.1 Innovation and Incubation Hub

The implementation of an Innovation and Incubation Hub in the Annexe building is expected to be instrumental in:

- Supporting small and medium enterprises across the region to become established businesses, boosting employment through support packages and providing sector growth through occupants ‘clustering’ in one place
- Providing a diverse, vibrant cultural offering which is attractive to young people
- Creating a dynamic, vibrant, inspiring location for residents to work and socialise, reducing the need to commute away or leave Watford. This will help respond to challenges identified above around diversifying the town centre, increasing footfall and reducing deprivation
- Creating higher value direct job and indirect local supply chain employment contributing to the economy
- Breathing new life into the Town Hall Quarter as part of its regeneration through provision of a flexible space for businesses to grow

The quantifiable benefits that the Hub is expected to deliver are:

- Every two years supporting the “graduation” of 60 people / 20 businesses from the Hub
- Every two years enabling six businesses to successfully transition from being micro to small

Additionally the Hub is expected to deliver the following benefits, which are currently unquantified, but which will be confirmed in the Full Business Case following the procurement of a new operator:

- Increased close business collaborations
- Increased number of patent applications
- Increase in footfall in the town centre
- Increase in FTE job numbers in Watford
- Increase in business survival rate

### 3.2.1.2 Museum

The relocation of the museum and heritage service to the Town Hall and making it a part of the wider Town Hall Quarter will significantly enhance the museum offer and attract more visitors. Whilst the museum and heritage service will not generate significant income, as it will be retained as a free to enter museum, it will benefit from shared services and increased visibility which will in turn support wider economic and social benefits within the town.

Re-locating Watford Museum to a refurbished space within the Town Hall creates the opportunity to create a new and improved museum and heritage offer which is fully accessible, both physically and intellectually. This will enable the heritage service to showcase a greater amount of its collections and through these objects tell the story of how the town of Watford has been shaped by its rich industrial and social heritage. The ability to have more flexible space within the museum increases the opportunities for partnership working to create a programme of changing exhibitions, events and activities which appeal to a diverse range of audiences.

The re-located and re-imagined museum is expected to deliver the following quantifiable benefits:

- 150% Increase in visitor numbers from 10,000 to 25,000 per annum
- Increased employment within the Town (direct and induced) from 4.6 FTE to 9 FTE
- 200% increase in volunteer hours (2,500 – 7,500 per annum) with an increase in volunteer numbers from 15 to 50

Additionally the museum and associated activities in the new space are expected to support the delivery of the following non-quantifiable benefits, which will be significantly enhanced from the current museum offer:

- Value of culture and heritage – there is much research into the value of heritage and culture to both individual's and society. The museum provides opportunities to access and participate in heritage and culture activities which 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.<sup>3</sup>
- Increased economic impact from the museum to the town from £104k to £380k per annum
- Provision of opportunities for skills development and adult learning
- Delivery of an education programme for young people and children

### 3.2.1.3 Community space

The refurbishment of the Town Hall will open up the Town Hall to our community through the provision of a range of spaces that will be available to both residents and community groups. This will provide the following benefits:

- Greater openness of the Town Hall providing greater transparency and access to local democracy
- Fit-for-purpose, value for money space available for the use of community organisations (e.g. meeting rooms, counselling space, touchdown working space)

### 3.2.1.4 Elected Members and council staff

A new council office space with modern, fit-for-purpose accommodation incorporating modern facilities for use by members and staff is expected to deliver the following benefits:

- Improved staff well-being
- Improved staff motivation and morale
- Greater opportunities to collaborate
- Less requirement for staff to travel, reducing local congestion and improving the council's carbon footprint
- Work space better aligned to council culture
- Improved accommodation for members to meet and engage with residents and the community, improving the council's reputation as a professional organisation
- Enhance the council's ability to recruit and retain high quality staff
- Enhanced space for democratic meetings improving the delivery and access to local democracy for residents and businesses
- Historic council chamber at the heart of the Town Hall retained for meetings of Council and other significant civic events

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

### 3.2.2 Financial Benefits

There are a number of ways to assess the financial benefits / implications of the proposed refurbishment of the Town Hall and Annexe and the new usage of these buildings as described in section 3.1.2.

At a high-level, based on the assumptions made across all of the different component business cases and averaged across an eight year period<sup>4</sup> the proposed future usage of the Town Hall is expected to deliver a financial benefit of £140,000 per annum.

This is made up of a number of components, some of which require investment from the council to deliver a new or improved service and in other areas there are savings. The detail and assumptions behind the key elements of this are set out below.

#### 1. Museum operational cost increase

To deliver the enhanced museum and heritage offer and associated benefits within the refurbished Town Hall there is an anticipated net increase in costs of the museum operation as set out in the table below. The two largest components of the £100k increase are £50k for off-site storage costs and £50k for new staffing to reflect longer opening hours of the museum. There is additionally included a significant uplift in income generated through higher retail sales to an increased number of visitors and increased income through hire and programmes.

Item	As-is / £k	Future / £k	Difference / £k
Operating costs	130	302	172
Income	-6	-78	-72
<b>Total</b>	<b>124</b>	<b>224</b>	<b>100</b>

#### 2. Costs of Innovation and Incubation Hub

The Innovation and Incubation Hub is a new initiative for the council and based on the assumptions made in the Outline Business Case (see Appendix 2C). Prior to procuring a new operator it is assumed that this will generate revenues to the Council of approximately £100k per year (average cost across the first eight years of operation).

#### 3. Income from non-council operational use of the space

The financial model for the business case assumes that all space not used by the council for direct purposes (i.e. office accommodation and the museum) will be occupied / utilised by third parties and income will be generated for their use of this space. This income will be from a mixture of rent, service charge and hires.

Item	As-is / £k	Future / £k	Difference / £k
Annexe income	-300	-250	50
Town Hall income	0	-130	-130
<b>Total</b>	<b>-300</b>	<b>-380</b>	<b>-80</b>

<sup>4</sup> Eight years have been used as this takes into account the period from the assumed completion of the refurbishment until the end of the current HCC lease on the first floor of the Annexe building. Figures include allowances for inflation across the period.

#### 4. Disposal of Benskin House

With the move of the Museum to the Town Hall Benskin House is assumed to be surplus and therefore it is assumed that costs of operating Benskin House, **£62k** per annum will be saved.

#### 5. Council office accommodation

To enable the future usage of the buildings the council's office accommodation footprint needs to reduce significantly. As a consequence of this, the cost of the space that is used by both staff and members will reduce by approximately **£300k**.

#### 3.2.3 Building benefits

The refurbishment will deliver the following benefits to the Town Hall and Annexe buildings:

Benefit description	Measures
Buildings brought up to modern standards and end-of-life systems replaced	<ul style="list-style-type: none"> <li>Reduced ongoing repairs and maintenance costs</li> <li>Reduction in building user complaints</li> <li>Buildings meet all required building standards (statutory compliance etc)</li> <li>Increased rental value of any commercial space</li> </ul>
Accessibility	<ul style="list-style-type: none"> <li>Buildings assessed as accessible in accordance with DDA standards</li> </ul>
Enhanced utility efficiency (contributing to the council's net zero carbon sustainability target <sup>5</sup> )	<ul style="list-style-type: none"> <li>Reduced electricity consumption</li> <li>Reduced gas consumption</li> <li>Reduced water consumption</li> <li>Reduced carbon footprint of the buildings</li> </ul>
Preserved heritage asset	<ul style="list-style-type: none"> <li>Heritage Town Hall asset is maintained in accordance with the council's legal obligations</li> </ul>
A single hub of activity	<ul style="list-style-type: none"> <li>Shared use of facilities, such as meeting rooms and café and subsequent reduced cost of maintenance</li> </ul>

#### 3.3 Key Assumptions

There are a number of key assumptions that are critical to understand when considering the financial. These are discussed below with more detailed assumptions in Appendix 2A.

1. Town Hall and Annexe operational building costs. These are assumed to be the same in the future as they are currently. This is likely to be incorrect; however there are a number of factors that will effect these costs, both increasing and decreasing, which it is not yet possible to model. Examples of these are as a potential increase in business rates due to an improvement in the quality of the space, moving from a reactive repairs to a planned preventive maintenance approach and

<sup>5</sup> Benefit enabled by both the Refurbishment and PSDS projects

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introducing decarbonisation measures to reduce the utility costs of the buildings. It is not possible to calculate the future building costs at this point in the project as they will be dependent on the designs, which are still not sufficiently developed. An updated building operations budget will be included within the Full Business Case.

2. The museum income of £78,000 per annum is predicated on an assumed 25,000 visitors per annum with £1.50 retail spend each and increased income through hire and paid for programmes and activities. These assumptions are based on a sound rationale and benchmarking; however any over estimation would lead to a reduction in this income.
3. Innovation and Incubation Hub income per annum is predicated on an assumed 1,650 m<sup>2</sup> size of hub, occupying space both in the Annexe and Town Hall. The results of the soft market testing (based on returns from three experienced operators who have assessed the proposition) indicate that a profit to the Council is achievable. The net revenue to the Council is estimated to be in the region of £100,000 per annum.
4. Town Hall income assumed as hire charges from community groups etc that will be set at a rate to cover the building costs.

## 4. Commercial case

### 4.1 Town Hall Refurbishment

To deliver the Town Hall 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 both the Town Hall and Colosseum Refurbishment project. The consultant team, along with Watford Borough Council officers, have worked through to the development of RIBA Stage 2 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 residual design to the contractor. This route also would enable synergies to be explored with the Colosseum construction activity, which is advanced compared to the Town Hall, and 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 commence the process in August 2022 and 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 capable and are likely to submit bids. The approach can also be completed faster than an open / restricted process.

### 4.2 Innovation and Incubation Hub

#### 4.2.1 Soft Market Testing

The soft market testing exercise received three submissions, all experienced operators of innovation hubs. All expressed an interest in the proposition, including the location of Watford itself and the Town Hall. They also agreed with the chosen sectors. All believed that they could operate a profitable operation for both themselves and the Council in this context. The respondents confirmed the proposed area of 1,650m<sup>2</sup> was adequate for an Innovation Hub. The preference for location from two of the three was that the Hub was located in the Town Hall. However, all three would be able to use the Annexe space. All of the potential operators expressed a requirement to be involved in the design development process as early as possible. The three respondents expressed a preference to be engaged by the Council under a management contract. One of the organisations would consider a turnover lease, which they have entered into elsewhere. A range of responses was received regarding the length of the management contract from 3 - 15 years. All respondents have incentive schemes on the hubs they are currently operating, which include both financial and commercial KPIs. This is shown at Appendix 2C2 which is an exempt paper due to commercial sensitivity.

#### 4.2.2 Operator Procurement

There are a number of different delivery options for the running of an Innovation and Incubation Hub. The council does not have the capacity or capability to manage the operation of a hub directly. Therefore the proposal is to go to the market to procure an operator. The exact nature of any commercial terms would need to be established; however, the model that appears to have the most alignment to the council's requirements is the operator management fee arrangement, whereby the

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council would keep control of the building and enter into a contract with a suitably experienced operator who would deliver the services in the hub and be managed by the council on the basis of the KPIs set and agreed at the outset.

There will be a period between the completion of a full business case in August 2023, and the opening of the refurbished Town Hall and Annexe buildings in Spring 2024, with the hub expected to be in operation later in 2024. This provides a length of time to prepare for its opening and secure as many funding streams as possible. It will be the responsibility of the chosen operator to begin and pay for the marketing; however, the council should supplement this with marketing initiatives to support the success of the hub in advance. This will include ramping up interest via social media channels, creating a dedicated website and the running of events. The operator, who will be engaged approximately one year in advance of the Hub opening, will be expected to be accountable for this ramping up activity to the council and present their work at board meetings as requested.

## 5. Financial Case

This section explains the financial implications of the recommended refurbishment option and future Town Hall and Annexe usage both from a revenue and capital perspective. It also outlines how the capital investment will be funded.

### 5.1 Expenditure and Costing Profile

#### 5.1.1 Revenue case

The table below shows the revenue position over a ten year period for the future operation of the Town Hall with the proposed usage as outlined above. The future usage is expected to deliver a net saving to the council, which, on average across the eight year period from the re-opening of the Town Hall until the end of the current lease on the first floor of the Annexe (in 2032), will be £140,000 per annum.

	£m									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue impact of future operations										
Town Hall - operating costs	0.42	0.44	0.45	0.46	0.47	0.48	0.49	0.50	0.52	0.53
Annex - operating costs	0.15	0.15	0.15	0.16	0.16	0.17	0.17	0.17	0.18	0.18
Innovation Hub - operation	-	0.09	0.09	0.09	0.10	0.10	0.10	0.10	0.11	0.11
Museum Service - operating costs	0.13	0.22	0.22	0.23	0.22	0.22	0.22	0.22	0.22	0.22
Benskin House	0.06	-	-	-	-	-	-	-	-	-
Town Hall Building Income	-	0.11	0.12	0.12	0.12	0.13	0.13	0.13	0.14	0.14
Annex Building Income	0.11	0.22	0.23	0.24	0.24	0.25	0.26	0.26	0.27	0.14
<b>Total Future Net Revenue position</b>	<b>0.66</b>	<b>0.38</b>	<b>0.38</b>	<b>0.39</b>	<b>0.39</b>	<b>0.39</b>	<b>0.40</b>	<b>0.40</b>	<b>0.40</b>	<b>0.54</b>
Revenue funding within the MTFS										
Revenue Budget - Town Hall and Annexe	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Income Budget - Annex	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Revenue Budget - Museum (incl Benskin House)	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
<b>Total Revenue Funding within the MTFS</b>	<b>0.53</b>									
Net Revenue position										
<b>Total</b>	<b>0.13</b>	<b>0.15</b>	<b>0.16</b>	<b>0.15</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.13</b>	<b>0.01</b>

The key assumptions made in this financial model are discussed in section **Error! Reference source not found.** with a detailed set of Assumptions included in Appendix 2A.

#### 5.1.2 Capital expenditure

The Capital costs of the project to deliver the refurbishment of the Town Hall and Annexe and to fit these buildings out to deliver the future usage are set out in the table below.

Item	Cost £m
Town Hall refurbishment	6.30
Annexe refurbishment	1.00
Council office fit-out	0.75
Window refurbishment (PSDS)	1.00
Museum fit-out	1.75
Innovation and Incubation Hub fit-out	0.25

Item	Cost £m
Terrapin demolition	0.50
<b>Total</b>	<b>11.55</b>

## 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

The scale and nature of the proposed project is recognised and so consideration of how the project will be delivered, managed and governed will be key to its success. 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.

### 6.1 Key Risks

Risk	Cause	Consequence	Risk Score	Action agreed to respond / mitigate / control	Updated Risk Score
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 Spring 2024	2 x 4 = 8	Build allowance into programmes for working in Covid safe environment at all times.	2 x 4 = 8
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
Individual project business cases are considered no longer viable	Increase in cost, unanticipated issues, scope creep or programme slippage	Space under utilised in the Town Hall as unable to be filled by space allocated in RIBA s.2 design	3 x 3 = 9	Contingency planning underway in relation to other opportunities / options to use the space.	2 x 3 = 6

## 6.2 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 team meeting 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

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- 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 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 will be managed in the following way:

Variance	Programme	Project
Time	<ul style="list-style-type: none"> <li>• Programme Manager, has the authority to amend any sub-milestones in the programme plan providing that the programme end date does not change</li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• 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 independencies 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</li> <li>• 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</li> </ul>
Cost	<ul style="list-style-type: none"> <li>• 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 Budget Council</li> </ul>	<ul style="list-style-type: none"> <li>• A contingency should be built into all project budgets and should not be exceeded without a formal change request</li> <li>• 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</li> </ul>
Quality / benefits	<ul style="list-style-type: none"> <li>• Any anticipated variation in quality / benefits relating to the programme will require approval from the Programme Board through a formal change request. Any variation outside the Programme Sponsor delegated approval remit will be presented to Portfolio Holders</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> </ul>

To assist with the above process, a Town Hall Delivery Group, made up of Sponsors and Project Managers from the Town Hall Refurbishment, Reimagining Watford, Innovation and Incubation Hub and Museum and Heritage projects, will meet on a weekly basis to assess the ongoing delivery of the project and the dependencies between the four projects. This will include monitoring the impact of any proposed design changes on other projects or concerns in relation to the ongoing viability of business cases which will impact other parts of the programme. The Group will be solution focused

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and concerned primarily with active issue management and trouble-shooting to ensure that the programme, and its constituent projects, progress as planned.

#### 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

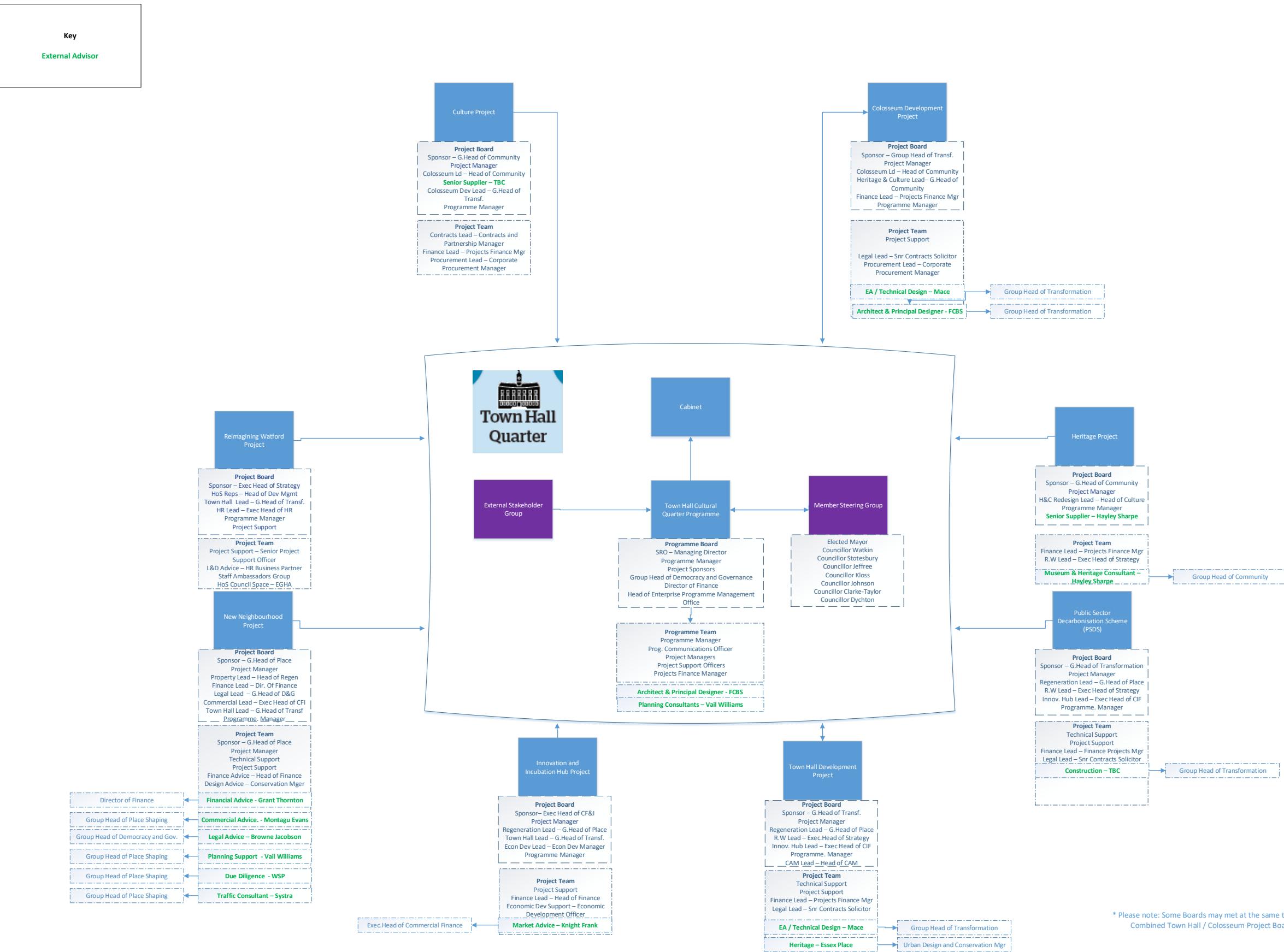
This political oversight will continue as, subject to approval of the business case, the programme progresses. As previously, where a report is taken that requires a formal decision, in accordance with the executive scheme of delegation this will be taken by the Mayor after consideration of the views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



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

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

## 6.6 Town Hall Project roles and responsibilities

### 6.6.1 Town Hall Project Board

The Town Hall 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 Town Hall Project Board Membership

The following table details the membership of the Project Board:

Job Title	Programme Role	Responsibilities
Group Head of Transformation	Town Hall Development and Colosseum Project Sponsor	<ul style="list-style-type: none"> <li>• Accountable for the successful delivery of the Town Hall Development and Colosseum projects</li> <li>• Decision maker for any delegated approvals</li> </ul>

Job Title	Programme Role	Responsibilities
Senior Project Manager	Project Manager	<ul style="list-style-type: none"> <li>• Daily, operational management of the project, (resource and budget)</li> <li>• Ensuring that the necessary actions to meet the key milestones in the project plan are undertaken by members of the project team</li> <li>• Reporting on the progress of the project to the Programme Manager</li> <li>• Active management of project risks and issues</li> <li>• Client management of EA / Technical Design (Mace) and Architect / Principle Designer (FCBS)</li> </ul>
Executive Head of Strategy and Communications	Reimagining Watford Lead	<ul style="list-style-type: none"> <li>• Ensuring that staff requirements are understood in relation to the Town Hall Development project, including the impact of these requirements on the space needed at the Town Hall and ensuring that the Town Hall Development project is requirement-led and that the council's transformation ambitions inform the works</li> </ul>
Executive Head of Commercial Finance and Innovation	Innovation and Incubation Hub Lead	<ul style="list-style-type: none"> <li>• Ensuring that any requirements from the Innovation and Incubation Hub project are aligned with the development of the Town Hall</li> </ul>
Group Head of Place Shaping	New Neighbourhood Lead	<ul style="list-style-type: none"> <li>• Ensuring that the impact of the Regeneration project on the project is understood and aligned</li> </ul>
Programme Manager	Programme Manager	<ul style="list-style-type: none"> <li>• Oversight across the programme, including management of programme level risks, issues and dependencies</li> <li>• Development and maintenance of programme timescales and impact on individual projects</li> </ul>
Head of Corporate Asset Management	Asset Lead	<ul style="list-style-type: none"> <li>• Knowledge and expertise in relation to the Town Hall building, maintenance, compliance and accessibility.</li> </ul>

## 6.7 Programme Plan

## Appendices

### Appendix 2A – Detailed financial assumptions

1. As-is costs based on 2020/21 actuals (except where significantly different due to Covid and therefore 2019/20 has been used)
2. Costs for Town Hall and Annexe that cannot be split based on coding have been apportioned based on total area of each. Annexe costs have been apportioned based on the GIA of the individual floors (i.e. ignoring the common parts)
3. Museum costs taken from DEA000 and FKE000 - assumed that all will be "saved" if the building is surplus
4. Future costs have been assumed to be the same as the current costs (i.e. no impact has been modelled for planned works, which are likely to increase costs in some areas and reduce in others, including no account taken of demolition of Terrapin)
5. Areas as per RIBA Stage 1 Option C report for Town Hall, assumed Council use of top two floors of Annexe ongoing, others let on current terms. Allocation for Town Hall ignores common parts e.g. plant space etc
6. Annexe Service charge income assumed
7. Community space will be hired at a rate that will cover the Service Charge cost
8. IIH space will be charged at a rate that will cover the Service Charge cost
9. Annexe letting to NHS will continue until 2031 (end of current lease)
10. Annexe letting to BBC will end before 2023/24 financial year
11. Capital costs of Town Hall options as per inflated RIBA Stage 1 from Mace
12. Capital costs of Annexe refurb, council fit out, terrapin demolition as per worst case discussions with Mace
13. Town Hall 10 year capital costs as per RIBA Stage 1 from Mace
14. Museum 10 year capital costs – estimate
15. Museum capital receipt – valuation based on refurbishment for commercial office usage
16. Museum operational costs and income as per assumptions in the Museum and Heritage Service Outline Business Case
17. Innovation and Incubation Hub finances as per assumptions in the Innovation and Incubation Hub Outline Business Case
18. Off-site data centre will be in operation from 2022/23

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- Appendix 2B – Museum and Heritage Outline Business Case
  - Appendix 2B1 – Museum and Heritage Assumptions
  - Appendix 2B2 – Museum and Heritage Interpretative Framework
  - Appendix 2C – Innovation and Incubation Hub Outline Business Case
  - Appendix 2C1 – Innovation and Incubation Hub Demand Analysis Report
  - Appendix 2C2 – Innovation and Incubation Hub Soft Market Testing Analysis Report
  - Appendix 2D – Equality Impact Assessment