

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 9 July 2018

<b>Portfolio:</b>	Leisure and Community
<b>Subject:</b>	Ferneham Hall
<b>Report of:</b>	Director of Finance and Resources
<b>Corporate Priority:</b>	Leisure Opportunities for Health and Fun

**Purpose:**

To set out proposals for the future development and operation of Ferneham Hall.

**Executive summary:**

Over the last few years the Council has invested significant capital sums into sports and recreation to ensure that it provides relevant, modern and good quality leisure facilities. Given the scale of this investment, it is now fair and proportionate for the Council to focus its attention on the area of entertainment. It is time to review how Ferneham Hall can be refreshed.

On 18 May 2015, the Executive considered a report entitled "Fareham Cultural Facilities Transformation". In summary, the report focused on two issues. The first included plans for the refurbishment and future management of Westbury Manor Museum. The second included the need to undertake a feasibility study considering future options for Ferneham Hall. The report noted that, whilst the Council is wholly committed to providing a modern community focused entertainment facility in Fareham Town Centre, there was a need to reduce the annual operating cost of such a facility.

The results of the feasibility study, carried out by consultants were made available in November 2015, and Council Officers began the process of analysing the information. The publication of the results, however, was put on hold in early 2016, due to the work that the Council was undertaking in preparing a vision for Fareham Town Centre.

Following a period of public consultation, "Planning the Future of Fareham Town Centre" was published in 2017. It stated that "Ferneham Hall is the Borough's main venue for theatre, arts and community events but is also becoming dated. The Council's budget for subsidising the theatre is under pressure and we must look at

how we can achieve best value for tax payers. Plans for the Civic Quarter could include creating a new cultural and arts facility to replace Ferneham Hall”.

This vision worked on the assumption that Ferneham Hall would be demolished and moved to a new location within the Civic Quarter, possibly combined with a new multi-storey car park. It was anticipated that this would release space for residential development on the current Ferneham Hall site. It has become increasingly clear, however, that the option to remodel Ferneham Hall in its current location could be delivered in a much shorter timescale, at a lower cost, with residential development and the re-provision of public parking provided at a later stage. This would, however, require a period of closure for Ferneham Hall.

Following the publication of the plans for the Town Centre, attention focused on the results of the Ferneham Hall feasibility study. The study indicated that it was possible to significantly reduce the operational costs of the facility and proposed a new design based on two performance spaces:

- one of approximately 400 seats and
- one smaller space of approximately 100 seats that would host presentations of live performances and film screenings.

The plans also included a dedicated dance studio and meeting rooms. The feasibility study estimated that the capital costs of such a refurbishment project would be between £8.9million and £9.6million. The costs of building a new facility in a different location were estimated to be between £9.6million and £14.5million.

Officers have assessed the results of the feasibility study and concluded that the financial projections for the five-year operating model appear to be realistic; the proposal for a smaller auditorium is in keeping with other modern cultural facilities; the scale and nature of the future programme requires a skill base which is better suited to management using a Leisure Trust operating model; the inclusion of a dance studio, whilst desirable, is not essential; the capital costs of refurbishment and construction are high and if the project is to proceed then officers would need to work closely with architects to re-engineer the design to reduce costs.

If approved, it is proposed that the project is delivered in three phases:

1. The first phase would include the remodelling of Ferneham Hall, demolishing the Octagon Lounge and opening up the foyer area.
2. The second phase would focus on the smaller secondary theatre.
3. The third phase would be the dance studio.

Fareham Borough Council would fund the first phase; and consider the most suitable funding structure for the latter two phases once an operator had been selected, recognising that they may attract external funding for the additional facilities. This would remove uncertainty from the project as the second phase would only proceed if the Trust was successful in providing capital investment.

The feasibility study was commissioned in partnership with the Hampshire Cultural Trust and recent discussions with that organisation remain positive. However, during the process of the review it has become clear that other Leisure Trust

operators are interested in the scheme. As such, it is proposed that a procurement exercise is undertaken to select the Council's preferred operator, to support during construction then provide management of the new Ferneham Hall facility. This would, of course, not preclude the Hampshire Cultural Trust from putting forward a proposal.

A draft vision has been prepared to provide clarity to Leisure Trust operators, Architects and Consultants as to the Council's ambitions for Ferneham Hall.

Detailed figures on costs would be provided to a future meeting of the Executive before any works commence, but at this stage approval is requested for phase one of the project to be funded from Community Infrastructure Levy (CIL) contributions.

If the project is approved, it is suggested that the current venue closes towards the end of 2019. The timescales involved in closure would mean that Ferneham Hall employees would be "at risk" and the Council would work with its preferred operator on possible solutions. When the new venue opened, it would be under the management of a Leisure Trust operator. The future operating model would be based on the premise that Fareham Borough Council owns the facility and employs the Leisure Trust to manage the facility, with annual surpluses or deficits received/met by the Council.

It is suggested that a member working group be established to oversee the design and construction of the project, chaired by the Executive Member for Leisure and Community.

### **Recommendations:**

It is recommended that the Executive agrees that:

- (a) Ferneham Hall remains in its current location within the Civic Quarter;
- (b) the vision for Ferneham Hall, attached as Appendix A, is approved;
- (c) the business plan created by AEA Consulting is refreshed and updated, excluding details of the Ashcroft Arts Centre, to ensure that all of the relevant data is available to make an informed decision going forward;
- (d) a procurement process be undertaken to identify a Leisure Trust operator as a partner, prepared to support the development of the new facility, including securing external sources of funding where appropriate, then managing the new facility in the future;
- (e) Ferneham Hall is closed in late 2019 to enable construction works to be undertaken;
- (f) the construction works are undertaken in three phases. The first phase would include the remodelling of Ferneham Hall, demolishing the Octagon Lounge and opening up the foyer area. The second phase would focus on the secondary theatre. The third phase would be the dance studio;

- (g) In principle, the costs of phase one of the project be funded from the Community Infrastructure Levy and external funding where possible, with full project cost to be reported to the Executive later this year. Funding of the latter phases of work would be subject to a further report, once an operator has been selected;
- (h) delegated authority be given to the Director of Finance and Resources, following consultation with the Executive Member for Leisure and Community, to utilise an initial sum of £100,000 to enable expenditure on fees covering aspects such as surveys, building redesign, further market research; the preparation of a planning application and project management;
- (i) a member working group be established to oversee the design and construction of the project, chaired by the Executive Member for Leisure and Community, to include four other members. The final design and costs will require the approval of the Executive prior to seeking planning permission; and
- (j) options for naming the new venue be presented to a future meeting of the Executive.

**Reason:**

Ferneham Hall is becoming dated and tired, and its operating costs are escalating. A new approach is needed, and the proposal to remodel the venue offers an exciting opportunity for the future.

**Cost of proposals:**

The capital cost of the project still needs to be determined but it is expected that phase one will be funded from the Community Infrastructure Levy. An initial amount of £100,000 from this sum would be delegated to the Director of Finance and Resources, following consultation with the Executive member for Leisure and Community, to enable necessary expenditure on fees covering aspects such as surveys, building redesign, further market research; the preparation of a planning application and project management.

**Appendices:**

**Appendix A:** A Vision: Fareham's New Entertainment Venue

**Background papers:** AEA Consulting – Ferneham Hall Feasibility Study (Vision, Programming, Operating Model)

Strom Architects, Mace and W.F. Brown Associates – A Collaborative Feasibility Study for the Redevelopment of Ferneham Hall

**Reference papers:**

- Executive Report - Fareham Cultural Facilities Transformation (18 May 2015)
- Executive Report - Fareham Town Centre: Final Regeneration Vision for Publication (10 July 2017)
- Executive Report - Corporate Strategy 2017-2023 (4 December 2017)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	9 July 2018
<b>Subject:</b>	Ferneham Hall
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Leisure and Community

#### INTRODUCTION

1. The purpose of this report is to set out proposals for the future development and operation of Ferneham Hall.

#### CONTEXT

2. Fareham Borough Council currently provides a diverse range of leisure opportunities for both residents and visitors. These include swimming pools and sports facilities at Fareham Leisure Centre and Holly Hill Leisure Centre; community centres; sports pitches and pavilions; bowling greens; tennis courts; equipped play areas; a museum at Westbury Manor; woodlands; parks; allotments; activities and events; and an arts and entertainment venue at Ferneham Hall.
3. It is important to note that these services (except for allotment provision) are discretionary. The Council has no statutory duty to provide leisure facilities but it chooses to do so because it helps to make the Borough an attractive place to live and work.
4. Indeed, one of the Council's corporate priorities is: -  
  
*"Leisure Opportunities for Health and Fun so that residents and visitors of all ages can socialise with other members of our communities; participate in arts and entertainment activities; and improve their fitness and health"*.
5. Over the last few years the Council has invested significant capital sums into sports and recreation venues to ensure that it provides relevant, modern and good quality facilities. This includes, for example, the refurbishment of Fareham Leisure Centre, the construction of a new Leisure Centre at Holly Hill, and the renovation of many sports pavilions such as Wicor and Bath Lane.

6. In addition, a new community centre has been built at Portchester and the majority of equipped play areas have been upgraded. In 2017, Westbury Manor Museum was refurbished. All of these schemes have required extensive capital investment by the Council.
7. Given the scale of the investment in other leisure facilities over recent years, it is now fair and proportionate for the Council to focus its attention on the area of entertainment. It is important to be consistent and, following the example of the recent works to sports and recreation facilities, it is time to review how Ferneham Hall can be refreshed to provide relevant, modern and good quality facilities for the future.
8. This is reflected in the Council's Corporate Vision and Strategy 2017-2023, which includes a project to "develop long term plans aimed at bringing the Ashcroft Arts Centre and Ferneham Hall together into a new and exciting single arts and entertainment venue".

## **BACKGROUND**

9. On 18 May 2015, the Executive considered a report entitled "Fareham Cultural Facilities Transformation". In summary, the report focused on two issues. The first included plans for the refurbishment and future management of Westbury Manor Museum, working in partnership with the Hampshire Cultural Trust. As members will be aware, this work was successfully undertaken during 2016 and 2017.
10. The second area for consideration was the need to undertake a feasibility study in which Ferneham Hall could be re-designed to support the delivery of an exciting high-quality performance programme that responded to modern agendas and met the demands of the future.
11. It was agreed that future arrangements for the use of the Ashcroft Arts Centre would also be considered as part of the feasibility work.
12. The report recognised that Ferneham Hall is the largest entertainment venue in the town centre. The facility offers a range of music, comedy and theatre shows and is also available for hire for theatrical productions, exhibitions, meetings, parties and weddings. The venue sells 60,000 tickets per annum and includes a 708-seater auditorium (including 500 capacity tier seating) and two function rooms (The Meon and The Octagon).
13. It also recognised that the current programme reflected more traditional theatre style entertainment that generally had a narrow audience appeal. As such, income and attendances had remained static and therefore it was considered that a more dynamic and innovative approach to programming was required to reinvigorate the venue.
14. At the time of writing the report, Ferneham Hall was generally in a good state of repair, with investment in the roof, air-conditioning and boilers within the previous 5 years. However, the report recognised that both the interior and exterior were both tired and dated and in need of modernisation. Since then, there have been no major works to Ferneham Hall and the general condition of the building, furnishing and equipment has gradually deteriorated.

15. Following consideration of the report, the Executive agreed to commission a feasibility study in conjunction with the Hampshire Cultural Trust. This included analysis of the market, options for development and a future business case by AEA Consulting, and detailed architectural plans by Strom Architects, Mace and W.F. Brown Associates.
16. The main priorities that needed to be considered for a future community focused entertainment facility were as follows. (It was recognised that these would need to be provided irrespective of any merger with the Ashcroft Arts Centre): -
  - improvements to the exterior appearance of the building, including a welcoming entrance;
  - alterations to the foyer and box office area to provide a sense of arrival;
  - demolition of the Octagon lounge;
  - improved audience facilities, such as toilets and catering areas, in terms of comfort, appearance and overall experience;
  - improved access within the venue to meet DDA requirements;
  - improved comfort of the main auditorium to better suit audience numbers;
  - improved seating to improve audience comfort;
  - improved cast/crew areas, including the stage, to support high quality performances;
  - improved office space.

### **REDUCING THE OPERATING COSTS**

17. It is important to note that, whilst the Council is wholly committed to providing a modern community focused entertainment facility in Fareham Town Centre, there is a need to reduce the annual operating cost of such a facility.
18. The Council's revenue budgets are under considerable pressure following major reductions in Government funding over recent years and there is a need for all Council services to be cost effective in the future.
19. The annual operating costs of Ferneham Hall were £279,500 for 2014/15, £396,200 for 2015/16, £423,400 for 2016/17 and £418,200 for 2017/18. Historically, these figures were as high as £800,000, but efficiencies were identified to reduce this figure over time.
20. A more detailed breakdown of Ferneham Hall's income and expenditure are set out in the table below: -



	Actuals 2014/15	Actuals 2015/16	Actuals 2016/17	Actuals 2017/18
<b>Expenditure</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
EMPLOYEES	388,758	456,740	480,159	531,881
PREMISES RELATED EXPENDITURE	176,018	125,201	172,314	165,216
TRANSPORT RELATED EXPENDITURE	320	371	574	153
SUPPLIES & SERVICES	463,888	550,853	572,132	571,159
BAR/CATERING SUPPLIES & SERVICES	58,786	52,103	69,851	63,640
INTERNAL RECHARGES	127,396	132,883	137,218	146,938
CAPITAL EXPENDITURE	-	-	-	-
<b>Total Expenditure</b>	<b>1,215,167</b>	<b>1,318,152</b>	<b>1,432,247</b>	<b>1,478,987</b>
<b>Income</b>				
OTHER GRANTS & REIMBURSEMENTS	0	0	200	0
SALES	- 510,103	- 535,221	- 565,296	- 603,089
SALES - CATERING	- 192,224	- 185,370	- 202,995	- 198,910
FEES AND CHARGES	- 233,333	- 201,369	- 240,326	- 258,766
<b>Total Income</b>	<b>- 935,660</b>	<b>- 921,960</b>	<b>- 1,008,818</b>	<b>- 1,060,765</b>
<b>NET (SURPLUS)/DEFICIT</b>	<b>279,507</b>	<b>396,192</b>	<b>423,429</b>	<b>418,222</b>

21. The deficit needs to be reduced significantly in the future and a key part of the feasibility study was the need to plan a new facility which could be more commercial in its outlook and reduce the level of annual subsidy provided by the Council.
22. Adopting a leisure trust model for operations should enable the facility to secure business rate relief, and further deficit reductions could be achieved through a combination of increased income and by reducing costs. The aspiration is to seek to achieve a self-sustaining financial position in the medium term.

### **TOWN CENTRE REGENERATION**

23. Following Executive approval, a feasibility study was commissioned on the future opportunities for Ferneham Hall. As well as developing a better understanding of the arts and entertainment market, the feasibility study focused on the preferred option of bringing together Ferneham Hall and the Ashcroft Arts Centre on to one site.
24. The results of the feasibility study were made available by consultants in November 2015 and Council Officers began the process of analysing the information provided. The publication of the results, however, were put on hold in early 2016, due to the work that the Council was undertaking in preparing a vision for Fareham Town Centre. ("Planning the future of Fareham Town Centre" 2017).
25. It was considered inappropriate to proceed with any improvements to Ferneham Hall until the Council was clear about its plans for the future development of Fareham Town Centre. In particular, the Council was aware of the important relationship between Ferneham Hall and the adjacent Osborne Road Multi-Storey Car Park. There is a recognition that the latter will need to be demolished and public parking re-provided in the near future and it was important to fully explore the options of how the different schemes affected one another.

26. Following a detailed consultation process during 2016, the Fareham Town Centre vision was published in 2017 concluding that: -

“Fernehams Hall is the Borough’s main venue for theatre, arts and community events but is also becoming dated. The Council’s budget for subsidising the theatre is under pressure and we must look at how we can achieve best value for tax payers.

Plans for the Civic Quarter could include redeveloping Osborn Road Multi Storey Car Park to provide up to 600 modern-sized car parking spaces; creating a new cultural and arts facility to replace Fernehams Hall; some potential commercial development; preserving the Civic Gardens; at least around 100 new homes with parking; and improve the pedestrian linkages to the West Street and the wider town centre.

We are working with land owners and partners within the ‘Civic Quarter’ to carefully plan future developments. We will ensure Fernehams Hall will remain open whilst a new facility is being built. Any alterations to the car parking would be done in a way to minimise disruption”.

27. This vision worked on the assumption that Fernehams Hall would be demolished and moved to a new location within the Civic Quarter, possibly combined with a new multi-storey car park. It was anticipated that this would release space for residential development on the current Fernehams Hall site. It has become increasingly clear, however, that the option to remodel Fernehams Hall in its current location could be delivered in a much shorter timescale, at a lower cost, with residential development and re-provision of public parking delivered at a later stage.
28. The disadvantage to such an approach is that Fernehams Hall would need to be closed to allow the works to be undertaken. This needs to be measured against the benefits of early delivery of an improved cultural and community facility. On balance, it is recommended that temporary closure would be the preferred route.

### **FEASIBILITY STUDY – MAIN FINDINGS**

29. The feasibility study and architectural plans are confidential because they include financial details on another party (i.e. the Ashcroft Arts Centre) but are available to elected members on request from the Head of Leisure and Corporate Services.
30. In summary, the conclusions were that: -
- Based on detailed financial projections, a “New Fernehams Hall” is financially sustainable after 40% savings to the current Fareham Borough Council contribution.
  - There is appropriate demand in the market for two performance spaces; one of approximately 400 seats and one smaller space of approximately 100 seats that would host presentations of live performances and film screenings. The plans include a dedicated dance studio and meeting rooms.
  - There is a business case for secondary revenue generators that include a mid-tier café offer, and a dedicated venue hire and catering programme, including for conferences.

- There is not a clear case for incorporating a large retail offer, although plans include a small retail “kiosk” that could be expanded if successful.
- Additional arts-oriented elements (artist studios, a dedicated gallery space, etc.) would help to animate the area and make the proposed venue more attractive, but there is neither space in the projected facility for these nor a clear financial rationale.

31. AEA recommended that the vision and objectives for a new, remodelled, Ferneham Hall would be as follows: -

- The new venue should deliver a high-quality programme that welcomes more people from both the local and wider communities and does so more often; and inspire the development of local creative talent.
- The remodelled building should create a vibrant, reimagined space in the Civic Quarter of Fareham, contributing to the Council’s development plans for Town Centre growth, and overall creative ‘place-making’.
- The new facility should benefit from a reworking of the operating models for the two cultural facilities (i.e. Ferneham Hall and the Ashcroft Arts Centre) which are currently heavily dependent on operational subsidy to encourage more financially sustainable operations.

32. The audience research undertaken as part of the feasibility study identified that:

- The audiences for Ferneham Hall are local, with the majority coming from within Fareham, followed by Southampton and Gosport.
- There is a good future market for a modern venue in the centre of Fareham, offering a programme of activity which is mainly mainstream and traditional. This would include live performances of plays, drama, gigs, dance, musicals and comedy. The research also indicated that there is a market for “art” film screenings, live broadcasts of opera, ballet etc, plus an arts education programme.
- There is a need for a dance studio.
- Over time, and depending on audience development efforts, the new Ferneham Hall could become a platform for co-produced ventures.

33. The consultants undertaking the feasibility study recommended that the remodelled facility could include: -

<p><b>Main Theatre</b></p> <ul style="list-style-type: none"> <li>• 288 bleacher-style, retractable seats that fold up against the rear wall.</li> <li>• 96 loose seats – i.e. entirely removable (i.e. so that they can host dance performances etc).</li> <li>• Proscenium stage, wings.</li> </ul>	<p><b>Meeting Rooms</b></p> <ul style="list-style-type: none"> <li>• Room One: 30 capacity.</li> <li>• Room Two: 20 capacity.</li> </ul>
<p><b>Secondary Theatre (“Black Box”)</b></p> <ul style="list-style-type: none"> <li>• 105 bleacher-style, retractable seats (i.e. so that concerts with standing room only be accommodated).</li> </ul>	<p><b>Bar/Café</b></p> <ul style="list-style-type: none"> <li>• A mid-tier restaurant offering local produce with 50 seated capacity.</li> <li>• Theatre bar with spill-out to be used during the shows.</li> </ul>
<p><b>Dance Studio</b></p> <ul style="list-style-type: none"> <li>• 40 capacity; semi-sprung wooden flooring; mirrored wall(s).</li> </ul>	<p><b>Foyer/Lobby</b></p> <ul style="list-style-type: none"> <li>• A generous, 151 m2 welcoming space; to be used for pop-up events/retail/receptions.</li> </ul>
<p><b>Workshop Room(s)</b></p> <ul style="list-style-type: none"> <li>• 25 capacity; dry/wet spaces; educational purpose.</li> </ul>	<p><b>Support Spaces</b></p> <ul style="list-style-type: none"> <li>• Admin offices, storage rooms, kitchen, backstage and loading, green rooms, AV/projection rooms, toilets.</li> </ul>

34. The feasibility study also included detailed financial projections for a five-year operating model for the venue, based on the assumption that Fareham Borough Council would own the facility and pay an annual subsidy of £151,400. The model assumes that a Leisure Trust would operate the facility.
35. Finally, the feasibility study estimated that the capital costs of such a project would be between £8.9million and £9.6million. A complete new build at a different location is estimated to cost between £9.8million to £14.5million. At the time, Hampshire Cultural Trust believed that it could raise a proportion of the capital from sponsorship and grants but it is recognised that Fareham Borough Council would need to make a significant capital contribution.

## **ASSESSMENT OF FINDINGS**

36. Officers have analysed the results of the feasibility study and would make the following observations: -

- i. The financial projections for the five-year operating model appear to be realistic and there is scope for the Council's annual contribution to be no more than £100,000 rather than £151,400. The Council's overall aspiration would be for the venue to break even.
- ii. The main auditorium in Ferneham Hall currently has 708 seats and it is proposed to reduce this to approximately 400 seats. The proposal for a smaller auditorium is in keeping with other modern cultural facilities and it should be noted that the majority of Ferneham Hall shows have been operating at an average of 53% capacity (of the 708 seats available).
- iii. The scale and nature of the future programme requires a skill base which is better suited to management by a Leisure Trust operator. As well as having the appropriate skills and experience, a Leisure Trust also has more flexibility and freedom to seek external funding, and would not be liable for the payment of Business Rates. This model has been successfully demonstrated at Fareham Leisure Centre and Holly Hill Leisure Centre, which are both under Trust management. It is therefore recommended that the operating model is based on the premise that Fareham Borough Council owns the facility, a Leisure Trust manages the facility and the Council pays an annual revenue contribution to the Trust.
- iv. Whilst the proposals include meeting and workshop rooms, there is a need to review this provision and redesign the meeting spaces to enhance community daytime activity at the venue. The recognition of the new venue as a busy community centre, as well as an arts and entertainment facility, should be included within the vision and objectives.
- v. The inclusion of a dance studio, whilst desirable, is not essential. This should be viewed as an optional extra to be provided at a later phase of building works based on a fund-raising campaign.
- vi. The capital costs of refurbishment and construction are high. If the project is to proceed then officers would need to work closely with architects to re-engineer the design to take out costs. For example, significant sums are currently proposed to dramatically change the external appearance of the building, which might not be required to the same scale.
- vii. The dependence on other agencies to raise funds through grants and sponsorship adds a significant level of risk to the project. It is therefore proposed that the project is delivered in three phases:
  - o The first phase would include the remodelling of Ferneham Hall, demolishing the Octagon Lounge and opening up the foyer area.
  - o The second phase would focus on the secondary theatre.
  - o The third phase would be the dance studio.

It is proposed that Fareham Borough Council would fund the first phase; and consider the most suitable funding structure for the latter two phases once an operator had been selected, recognising that they may attract external funding for the additional facilities. This would remove uncertainty from the project as the second phase would only proceed if the Trust was successful in providing capital investment.

- viii. Finally, in the interest of fuel efficiency, officers would be seeking assurances that the final design would allow individual parts of the building to be lit, heated and/or ventilated independently, without the requirement for the remainder of the building to be lit, heated/ventilated at the same time.

## **HAMPSHIRE CULTURAL TRUST**

37. The feasibility study was commissioned in partnership with the Hampshire Cultural Trust and included the option to merge Ferneham Hall and the Ashcroft Arts Centre into one venue.
38. Recent discussions with representatives from the Hampshire Cultural Trust were positive. They indicated that they were supportive of the project moving forward but would like to see the information in the feasibility study and business plan refreshed before they could commit to any level of involvement in the scheme. They also indicated that any financial investment on their part would be dependent on successfully attracting either sponsorship or grant funding.
39. During the process of review, it has become clear that other Leisure Trust operators are interested in the scheme. As such, it is considered important that the Council fully tests the market and understands the appetite for investment by other operators. This would not prevent the Hampshire Cultural Trust from putting forward a proposal to work in partnership, but would be more transparent and would ensure that the Council was achieving best value. A more open procurement process would also provide greater certainty over the level of financial investment being offered by other agencies.
40. For this reason, it is proposed to refresh the information in the feasibility study, excluding any details of the Ashcroft Arts Centre, to allow interested parties to put forward proposals based on Ferneham Hall alone.

## **PROCUREMENT OF A PARTNER**

41. It is therefore proposed that, if this project is approved, the feasibility study and business plan undertaken by AEA is refreshed and updated to ensure that all of the relevant data is available to make informed decisions going forward.
42. It is also proposed that a procurement exercise is undertaken to select the Council's preferred operator, to support during construction then provide management of the new Ferneham Hall facility once it is completed.

## **VISION**

43. In order to provide a clear framework for such a procurement process, officers have drafted a vision for Ferneham Hall which is attached as Appendix A. The purpose of the vision is to provide clarity to Leisure Trust operators, Architects and Consultants as to the Council's ambitions for Ferneham Hall.

44. The vision states that “we want to provide a busy community arts and entertainment centre which includes daytime and evening activity, seven days a week”. This recognition that the new venue will act as the main community centre in Fareham Town Centre is central to the plans to make it commercially viable.
45. The Executive is requested to approve the vision as a basis for future plans for the venue.

## FINANCIAL IMPLICATIONS

46. As stated above, one of the key objectives of this project is to reduce the annual costs of operating Ferneham Hall. At present the Council is spending approximately £420,000 per annum on the venue.
47. The table below provides a breakdown of costs. It is important to note that the costs include a figure of approximately £147,000 for internal recharges. If a Leisure Trust operator were to manage the new facility in the future, it would not be responsible for any internal recharges. Effectively, these would need to be redistributed to other Council services. A review would be undertaken as to whether any of these costs could be reduced in the future.

	Actuals 2014/15	Actuals 2015/16	Actuals 2016/17	Actuals 2017/18
	£	£	£	£
<b>Expenditure</b>				
EMPLOYEES	388,758	456,740	480,159	531,881
PREMISES RELATED EXPENDITURE	176,018	125,201	172,314	165,216
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<b>Income</b>				
OTHER GRANTS & REIMBURSEMENTS	0	0	200	0
SALES	- 510,103	- 535,221	- 565,296	- 603,089
SALES - CATERING	- 192,224	- 185,370	- 202,995	- 198,910
FEES AND CHARGES	- 233,333	- 201,369	- 240,326	- 258,766
<b>Total Income</b>	<b>- 935,660</b>	<b>- 921,960</b>	<b>- 1,008,818</b>	<b>- 1,060,765</b>
<b>NET (SURPLUS)/DEFICIT</b>	<b>279,507</b>	<b>396,192</b>	<b>423,429</b>	<b>418,222</b>

48. Therefore, under the new financial model, the Council could see annual savings of up to £271,000 (following a deduction of internal recharges). It is likely that an annual subsidy of say £100,000 would be required, particularly in the early years, but the Council’s overall ambition would be for the venue to ultimately break even.

49. The capital cost of the project was originally estimated to be between £8.9million and £9.6million based on 2016 construction rates. A new estimate would need to be provided following a redesign of the plans but it is assumed that the costs of a smaller scheme (i.e. phase one) would be lower.
50. Detailed figures would be provided to a future meeting of the Executive before any works commence, but at this stage approval is requested for phase one of the project to be funded in principle from Community Infrastructure Levy (CIL) contributions and external funding where this can be secured.
51. The Community Infrastructure Levy is a planning charge on new development. The ability for a local planning authority to charge the levy came into effect from April 2010, and the Council adopted CIL in March 2013. The levy can be spent by the Council to improve the infrastructure of the Borough and this includes schemes such new or improved community facilities; open space; sports pitches, transport infrastructure and the public realm in Fareham Town Centre.
52. As an example, funding for Holly Hill Leisure Centre was part funded by CIL contributions and a new, remodelled, community focused entertainment facility is considered to be an appropriate use of the funding in the future.
53. If the project is approved, officers will also explore the opportunities available for grant funding.

#### **CLOSURE AND FERNEHAM HALL EMPLOYEES**

54. If the Executive agrees the proposals to remodel Ferneham Hall, it is likely that the venue would close towards the end of 2019. This would allow sufficient time to refresh the business plan, procure a development partner, commission detailed designs, seek planning permission and oversee a procurement process for the remodelling of the venue. It is not possible, at this stage to specify a closure date but it is recognised that a decision on a closing date needs to be as early as possible in the process to enable decisions to be taken on shows and hirings.
55. It is anticipated that the works to remodel Ferneham Hall would take between one and two years to complete.
56. The timescales involved in closure would mean that Ferneham Hall employees could be “at risk” of redundancy, but Leisure Trust operators would be asked to identify their preferred approach during this transitional period. This could include redeploying Ferneham Hall employees into other venues that the Leisure Trust currently operates to cover the period of closure. It could also involve the Council redeploying employees into other Council vacancies, where suitable opportunities exist.
57. The implications for the service, and for Ferneham Hall employees, will be clarified once a Leisure Trust operator has been selected.

#### **NAME OF NEW VENUE**

58. The remodelling of Ferneham Hall, coupled with a new approach to programming, provides the opportunity to create a new name for the venue. It is suggested that this is managed in consultation with the local community in a similar way to the naming of the new community at Welborne. That is, officers will research possible names with local



connections, and those favoured by members will be presented to the local community to identify the preferred choice.

## **CIVIC EVENTS**

59. Ferneham Hall is traditionally used as a location for annual civic events. This includes, for example the Council's Annual General Meeting (Mayor Making); Elections; and the Mayor's Charity Ball.
60. It is important to maintain this tradition, so any future management agreement with a Leisure Trust will need to recognise the need for the new venue to host such events, albeit that they may be held in a different way. An appropriate scale of fees would need to be negotiated, recognising that the Council is the owner of the facility but that the Leisure Trust should be allowed to operate in a commercial way.

## **CONSULTATION**

61. If the project is approved, it is suggested that a member working group be established to oversee the design and construction of the project, chaired by the Executive Member for Leisure and Community, to include four other members.
62. The Leisure and Community Panel would receive reports at each key stage of the project allowing effective scrutiny of the process.
63. The final design and costs would require the approval of the Executive.
64. It would be important for the Working Group to ensure that Ferneham Hall customers and, in particular, regular hirers are consulted as part of the overall design process. For example, the amateur theatre groups would be able to make a valuable contribution to the discussion on the mix of facilities within the venue. It would also be important to help them to find suitable, alternative, temporary performance space whilst a new facility is being built.

## **PROPOSED WAY FORWARD**

65. At this stage, if the project is to move forward, the Executive needs to agree the following recommendations. That: -
  - Ferneham Hall remains in its current location within the Civic Quarter;
  - The vision for Ferneham Hall, attached as Appendix A, is approved;
  - The business plan created by AEA Consultancy is refreshed and updated, excluding details of the Ashcroft Arts Centre, to ensure that all of the relevant data is available to make an informed decision going forward;
  - A procurement process is undertaken to identify a Leisure Trust operator as a development partner prepared to manage the new facility in the future, as well as contributing towards the capital costs of constructing a new/refurbished community focused entertainment venue;

- Ferneham Hall is closed in late 2019 to enable construction works to be undertaken;
- The construction works are undertaken in three phases. The first phase would include the remodelling of Ferneham Hall, demolishing the Octagon Lounge and opening up the foyer area. The second phase would focus on the secondary theatre. The third phase would be the dance studio;
- Fareham Borough Council would fund the first phase; a Leisure Trust would fund the second phase; and the third phase would be subject to a joint fund-raising campaign at a later stage;
- The costs of phase one of the project be funded from the Community Infrastructure Levy;
- Delegated authority be given to the Director of Finance and Resources, following consultation with the Executive Member for Leisure and Community, to utilise an initial sum of £100,000 to enable expenditure on fees covering aspects such as surveys, building redesign, further market research; the preparation of a planning application and project management;
- The future operating model is based on the premise that Fareham Borough Council owns the facility, a Leisure Trust manages the facility and the Council pays an annual revenue contribution to the Trust;
- A member working group be established to oversee the design and construction of the project, chaired by the Executive Member for Leisure and Community, to include four other members. The final design and costs will require the approval of the Executive prior to seeking planning permission;
- Options for naming the new venue be presented to a future meeting of the Executive.

## **CONCLUSION**

66. Over recent years, the Council has invested a significant level of capital in either improving or building new leisure facilities. It has done so, because it recognises that a range of good quality, modern, leisure facilities make an important contribution to the quality of life in the Borough. Fareham is a prosperous, safe and attractive place to live and work.
67. Millions of pounds have been invested in sport and recreation facilities and it is now an appropriate time to invest in community focused entertainment facilities. Ferneham Hall is becoming tired and dated, and its operating costs are escalating. A new approach is needed, and the proposal to remodel the venue, offers an exciting opportunity for the future.
68. If approved, works will be undertaken over the next few months on the detailed design and costs of a new Ferneham Hall, the procurement of an operating partner and then reported to the Executive for a final decision on project implementation.

**Enquiries:**

For further information on this report please contact Lindsey Ansell. (Ext 4567)