

The restoration of the Globe

Report to Executive Scrutiny Committee in response to the call-in of the Cabinet decision of June 27, 2019

Report of Globe Project Director, Paul Dobson

Date: July 29, 2019

Introduction

Built in 1935, the iconic Grade II-listed Art Deco Globe occupies a prime spot on Stockton High Street and has been empty since last closing its doors in 1993.

Its restoration is key to the development of Stockton High Street and will create the biggest live entertainment venue between Newcastle and Leeds, right at the heart the Tees Valley.

Once restored, the Globe will be an asset for the Borough's economy, attracting up to 200,000 visitors per year and an annual estimated visitor spend of *£18million.

SBC's investment in the project is on this basis i.e. as a regeneration project that will generate a major and sustained economic boost and not primarily as an income-generating/commercial venture for SBC.

It is one of the most significant regeneration projects undertaken by the Council and like a lot of projects to restore historic buildings full of heritage features, has proven a technical challenge.

This £26.75million regeneration investment is a major project for the Council and Executive Scrutiny Committee members are undertaking a call-in review of Cabinet's decision of June 27, 2019 to invest an additional £6.5million in the project.

In order to assist this review this document has been prepared by officers.

Its intention is to provide the Committee with information in support of the specific decision made on June 27, 2019 but in order to do this effectively it also provides a summary of the previous executive decisions on this project as they are of course not just relevant background but also form part of the evidence base relied upon by Cabinet in making its June 2019 decision.

As with any long term project it is difficult to understand and scrutinise one decision in isolation and it is hoped that this chronology and link to all key executive decisions made on the project is helpful.

The document sets out the history of the Globe regeneration beginning in 2002 (before SBC's involvement) with Jomast Developments Limited's acquisition of the Globe from Mecca Bingo. It summarises the history of the project from that point including the 7 key Executive decisions relating to the project:

- **February 2011** – Cabinet decision to support the regeneration of the Globe
- **June 2014** – Cabinet decision for SBC to step in as accountable body for HLF funding
- **March 2016** – Cabinet decision to undertake an SBC-led £7.8million redevelopment scheme for the Globe
- **July 2017** – Cabinet decision to move to a new approach to the project to deliver a different and larger scale project for a larger capacity live music and comedy venue in partnership with ATG
- **March 2018** – Cabinet decision to support additional investment to support a revised commercial operating model for the Globe

- **December 2018** – Cabinet decision to support additional investment required to address the structural problems which are discovered to be worse than expected
- **June 2019** – Cabinet decision to support additional investment to fund the final capital phase as the impact of the final detailed tendering process and the impact of the essential stabilisation works in early 2019 are costed and conclude that the previous December 2018 estimates were not sufficient

Links to all previous decisions are included in this document, along with references to further information and appendices of additional background information.

* See the '**Where has the projected £18million a year spend come from?**' section on page 10 under **Further information**.

Timeline

What follows is a timeline detailing key developments relating to the Globe and the restoration project. Though SBC did not take lead responsibility for the project until March 2016, the timeline begins with Jomast's purchase of the Globe in 2002 and its initial plans for the venue.

November 2002

Jomast Developments Ltd buys the Globe from Mecca Bingo in November 2002 for £200,000 having previously bought the adjoining 153 High Street from Debenhams in 1989.

December 2009

Jomast submits a planning application to renovate the Globe and bring it back as a 2,500 capacity live entertainment venue.

February 2010

Jomast's planning application is approved.

Jomast spends the following months working on developing a £4million renovation with the hope the Globe will open by Christmas 2012. Jomast's intention is to create a specialist management company to present around 30 live music concerts, 15 comedy performances and 20 other events a year.

This plan relies upon successful bids for European Regional Development Fund (ERDF) and Heritage Lottery Fund (HLF) grant funding, as well as a £1.15million contribution from SBC.

February 2011

SBC agrees to contribute £1.15million in capital funding to the scheme as part of the MTFP to ensure the building's heritage features are protected and support the ongoing regeneration of Stockton High Street.

Link to full Council/MTFP papers [here](#).

This is SBC's first involvement in the project. There is no direct return for SBC as this is very much a regeneration/heritage project rather than an income-generating project.

2011

Jomast's application for ERDF funding is not successful.

Jomast establishes a trust, the Globe Stockton Foundation, to lead a bid for HLF funding.

January 2012

Jomast continues to carry out behind the scenes planning, design and preparation work, makes the building watertight below the stage, removes some of the asbestos and strips out around 100 skiploads of debris ranging from bingo tables to 1970s tiling, seats and old carpets.

This enables a more thorough survey of the building to establish a more precise programme of works.

Leading theatre restoration expert, Dr David Wilmore, is appointed as restoration consultant for the project. Dr Wilmore and his company, Theatresearch, specialise in theatre restoration and are involved in restoration projects across Great Britain.

2012

Jomast is advised by the HLF that its bid has been unsuccessful. SBC steps in to support Jomast in exploring alternative options.

January 2013

Work to protect the building from the elements and address flooding in the basement is continuing.

The opportunity to bid for funding from the Heritage Lottery Fund's new Heritage Enterprise scheme is identified. Jomast revises the opening date to Autumn 2015.

Summer 2013

The Globe Stockton Foundation submits the funding bid to the Heritage Lottery Fund.

October 2013

The bid to the Heritage Lottery Fund is given a Stage 1 pass, meaning a £4million grant is earmarked to transform the Globe into a 2,500 capacity live music and comedy venue.

An initial £400,000 of the £4million is released to fund the project development work needed to make a Stage 2 bid for the remainder of the funding. This must be done within two years.

June 2014

It is confirmed that the fully developed Stage 2 bid to release the remaining HLF money is expected to be submitted in summer 2015. Jomast revises the opening date to 2017 at the earliest.

Cabinet decides that SBC will take on the role of 'accountable body' for the development of the Stage 2 bid to the HLF. As accountable body, SBC will have the legal responsibility to ensure that any external funding received is spent in accordance with the grant conditions.

Link to Cabinet papers [here](#).

2014/15

Work continues on preparing the detailed bid and supporting feasibility studies for the Stage 2 HLF bid.

As this is a completely new type of grant, there are months of detailed negotiations about how the project can be taken forward.

SBC establishes a dedicated multi-disciplinary project team led by Paul Dobson to help drive this work forward. The team consists of key SBC officers and 15 expert external consultants in fields ranging from fire safety and conservation to architecture and structural engineering.

In recognition of the complexities involved, HLF allow extra time for the submission of the Stage 2 bid for the remainder of the HLF funding.

March 2016

Jomast's active involvement in the project ends, though they remain the landlord. SBC becomes the lead partner for the project and takes responsibility for submitting the Stage 2 bid for the remainder of the HLF funding and appointing an operator for the venue. If HLF funding is secured, SBC will enter into a detailed agreement with Jomast, who own the building.

This is now a larger scale project with potential to attract a leading operator. Cabinet agrees an additional £2.1million for the scheme. The revised total project cost (capital) is increased to £7.8million consisting of £4million from the HLF (when released), £3.25million from SBC and the remainder from fundraising activity led by the Globe Stockton Foundation. Opening is revised to winter 2018/19.

Link to Cabinet papers [here](#).

March 2017

SBC submits the Stage 2 bid for the remainder of the HLF funding.

May 2017

SBC appoints Willmott Dixon the overall contract for the Globe restoration through the *SCAPE framework. The underlying contract that was entered into directly between SBC and Willmott Dixon is known as an NEC (aka a 'New Engineering Contract'). This is an industry standard form developed by the Institution of Civil Engineers (ICE).

* See the '**The SCAPE framework explained**' section on page 10 under **Further information**.

July 2017

Since taking leadership of the project in March 2016, and following a detailed market appraisal, it is confirmed that the most viable commercial use will be as a predominantly live music venue with comedy and some light entertainment, utilising the Globe's 3,000 plus capacity to position it as the biggest venue between Leeds and Newcastle.

It is therefore considered the Globe will complement both the current arts organisations in the Borough and contribute to a Tees-wide regional offer, complementing both Middlesbrough Town Hall and Darlington Civic Theatre, both of which in are in receipt of Heritage Lottery Funding.

This market position informs SBC's detailed discussions with operators of major venues, as well as the HLF, which have resulted in a new approach to the project and one which will firmly position a fully-restored Globe as a leading live music and comedy venue.

To successfully occupy that position in the market, the Globe will now be a 3,000 plus capacity (previously 2,500) venue with flexibility for several seating/standing configurations, additional bar and toilet facilities, an entirely new extension block for dressing rooms, green room and production facilities with neighbouring 153 High Street operating as a major supporting space to the main venue and a café/bar in its own right.

The HLF funding is confirmed and increased to a total of £4.5million, reflecting the fact this is now a much bigger project. With funds already provided in the development phase, this is the maximum grant available via this fund.

SBC agrees a partnership with the world-renowned *Ambassador Theatre Group (ATG), who will operate the venue on a 25-year lease. SBC will work with ATG to develop plans that maximise the additional investment and ensure the venue is fully equipped to host the biggest touring shows.

Cabinet agrees an additional £7.25million for the scheme. The total project cost (capital) is increased to £15million, consisting of £4.5million from the HLF and £10.5million from SBC. Work to make the building safe/water tight is ongoing. Opening is pushed back to Spring 2019.

Link to Cabinet papers [here](#).

* See the '**Who are Ambassador Theatre Group (aka ATG)?**' section on page 11 under **Further information**.

October 2017

SBC negotiates a *40-year lease agreement with Jomast on both the Globe and 153 High Street – this includes a right to buy option and is the best deal possible, with reasonable terms that also protect the public investment in the building.

* See the '**The lease agreement/option to buy explained**' section on page 10 under **Further information**.

March 2018

Discussions about the Globe operating model have been ongoing with ATG and, after market testing, an increased investment in the Globe's technical capabilities is not only achievable, but considered to be the best option for this type of venue. Approval for this revised proposition is sought in the MTFP.

SBC agrees to commit an additional £1million for technical fit out to enable the Globe to host an even bigger and broader range of touring shows. An additional £1.75million is also agreed to reinforce the structure. This additional £2.75million is agreed in the MTFP.

The revised total project cost (capital) is increased to £17.75million consisting of £4.5million from the HLF and £13.25million from SBC.

It is also agreed that an annual investment (revenue) will be made to support ATG with audience development and the attraction of major artists in years 1 to 5. This will start at £400,000 in year 1, reducing to £350,000 in year 2 and reducing again to £300,000 in years

3, 4 and 5. However, in years 4 and 5 it is anticipated that this sum will be offset by income generated by the *profit sharing agreement, which starts in year 4.

Link to full Council/MTFP papers [here](#).

* See the '**Who are Ambassador Theatre Group (aka ATG)?**' section on page 11 under **Further information**.

July to December 2018

The Globe is now 'stripped back to the bare bones' enabling full understanding of how it is constructed. Discoveries during the strip back include an underground air raid shelter under 153 High Street, while the demolition of the dressing room block has made it possible to assess the huge side wall alongside the auditorium for the first time. The wall is unstable, with brickwork not even tied in to steelwork.

SBC confirms that the structural problems uncovered are much worse than expected. Problems include unsupported walls, rotting timbers, a badly-corroded underground drainage system and weaknesses in the roof structure.

A project redesign is finding solutions for each of them, while urgent structural repairs and stabilisation work is ongoing. The redesign has also presented an opportunity to increase the scope of works on 153 High Street – this is now a demolition and rebuild of the entire interior, creating an independent 250 capacity venue with expanded function room, dining and kitchen facilities.

In December, following on from the discovery of the structural problems, Cabinet agrees in principle to support the commitment of an additional £2.5million to the project, with fuller details to follow in the MTFP reports in February 2019.

Link to Cabinet papers [here](#).

February 2019

SBC agrees the additional £2.5million in the MTFP to fund design solutions to the problems identified including the installation of reinforcing steel frames, new roof and a new drainage system. Opening is pushed back to Spring 2020.

The revised total project cost (capital) is now £20.25million consisting of £4.5million from the HLF and £15.75million from SBC.

Link to Council/MTFP papers [here](#).

March to May 2019

The completion of the urgent structural stabilisation works enables a full 'buildability' review and tendering process to be carried out. This involves engagement with over 100 specialist sub-contractors on how the agreed designs can be delivered in light of the structural stabilisation works, which feeds into Willmott Dixon's work on a Preliminary Agreed Maximum Price (aka AMP). This is subjected to a detailed due diligence exercise by SBC's independent cost advisor, *Driver Group.

As Driver Group's due diligence work on the Preliminary AMP draws to a conclusion, the Globe Project Director briefs the Chief Executive and Interim Managing Director on escalating cost issues on May 15, followed by a briefing with the Cabinet Member for Regeneration and Housing on May 17.

* See the '**Who are the Driver Group?**' section on page 13 under **Further information**.

June 4 2019

SBC receives Driver Group's review report (**full report attached as Appendix A**) on Willmott Dixon's Preliminary AMP. The report finds that additional funding of around £6million will be needed to complete the project.

The Cabinet Member for Regeneration and Housing and Project Director consider alternatives, including putting the project on hold. Pausing the project would accumulate further costs, while certainty on funding is needed in order to ensure that any works embarked upon can be completed.

A pause would also delay the realisation of the economic benefits a restored Globe is expected to bring to the Borough once fully operational – up to 200,000 visitors per year and an annual estimated visitor spend of £18million. It is considered that the economic case for the project remains very strong even when the increased cost is factored in.

SBC initiates an urgent Cabinet and Council process to seek approval for the funding, alongside a review led by internal audit. The review report will be considered by Audit Committee on July 29, 2019. The Audit Committee papers are available on [e-genda](#).

June 27 2019

Cabinet approves, subject to funding being made available by Council, the allocation of £6.5million to progress completion of the Globe restoration project to enable completion by late 2020. Cabinet also recommends that Council approve additional prudential borrowing of £6.5million.

The revised *total project cost (capital) is increased to £26.75million consisting of £4.5million from the HLF and £22.25million from SBC.

The extra work needed will push back the opening of the venue from Spring 2020 to November 2020.

Link to Cabinet papers [here](#).

* See the '**What is the total cost of the project to SBC?**' section on page 14 under **Further information**.

June 27 2019

Following the earlier Cabinet meeting, Full Council meets and approves additional prudential borrowing of £6.5million.

July 9 2019

A call-in request to review the Cabinet decision of June 27 is validated and arrangements are made for a meeting of the Executive Scrutiny Committee to be held on July 29.

Further information

What follows is an expansion on the points marked by * in the Timeline section of the document.

Where has the projected £18million a year spend come from?

This is the estimated annual visitor spend included in the Economic Impact Assessment **(full report attached as Appendix B)** carried out by Athey Consulting Ltd in June 2017. The report describes it as 'a very conservative estimate'.

The SCAPE framework explained

NEC suite of contracts was originally endorsed by the Office of Government Commerce (OGC) (now part of the Cabinet Office) as complying fully with the Achieving Excellence in Construction principles. The OGC recommends its use by public sector construction procurers on their construction projects.

What is it?

SCAPE is a public sector-owned built environment procurement specialist which has a suite of public procurement law compliant frameworks for multiple areas of works. Each of these frameworks are competitively tendered and awarded to a single winning tenderer.

How does it work?

The Council has an Access Agreement with SCAPE which allows it to procure construction services from its frameworks. Procuring from SCAPE is compliant with the Council's standing orders/contract procedure rules.

SCAPE have a range of single supplier frameworks, from which the Council was permitted to award contracts. For the size and scope of the Globe restoration the single supplier framework was with national contractor, Willmott Dixon.

Why was it considered the best option?

The SCAPE framework offers excellent rates. These were due to go up in May 2017 under a new iteration of the SCAPE framework so SBC acted quickly to take advantage of the scheme before it closed.

Who are Ambassador Theatre Group (aka ATG)?

ATG are a global leader in live entertainment, operating around 50 venues worldwide, including historic West End venues like The Apollo Victoria, The Lyceum and The Savoy Theatre as well as the Edinburgh Playhouse and the Lyric Theatre on Broadway.

They are also a global leader in theatre ticketing, running Britain's most visited theatre ticketing sites and processing over 11 million tickets a year for hit musicals, acclaimed plays, concerts, comedy shows, attractions and exhibitions.

And they produce shows across the entertainment spectrum, including many Olivier and Tony award-winners.

What is the relationship with ATG?

ATG has signed a commitment to a 25 year lease agreement. It is subject to a commercial review at year 5. ATG will be responsible for the business rates on the building once it is operational.

Will SBC get a share of the profits?

Yes, there is a 'profit sharing' agreement (technically a profit rent agreement) – SBC will receive 30% of any earnings above £600,000 EBITDA in the form of rent from year 4 of operation. The finer details of the contract are commercially sensitive but members can arrange to view it via Ged Morton in Legal.

As the purpose of the project is to support the regeneration of the town centre/bring economic benefits rather than to generate income, there is nothing built into the MTFP to reflect potential future profits. This will be reviewed as part of SBC's MTFP planning during year 3 of the Globe's operation ahead of the profit rent agreement starting in year 4.

What will ATG get out of this? What are their forecasted profits?

ATG, with all of their expertise and experience, will seek to run a profitable venue. They are confident of doing so – that is why they have signed a commitment to a 25 year lease. Their forecasted profits are commercially sensitive.

The lease agreement/option to buy explained

Term: 27 October 2017 to 31 March 2056

Cost: £70,000 per annum (for both buildings)

Why did SBC not buy the Globe/153 High Street outright?

Neither building was for sale.

How are these costs paid for?

For the period of the restoration project this cost is met from within the capital/project budget. After this period it is met from revenue budget.

How does the 'option to buy' work?

In 2031, SBC has an option to buy the Globe and neighbouring 153 High Street. The price for the purchase of the Globe is fixed at £200,000, while 153 High Street's valuation will be based on the building's use and condition as they were in 2017 (a large shop with flats for eight individuals above). This means the sums the Council will pay to take ownership of the buildings are based on their condition **before** this major investment was made and will not reflect any of the value we add through the restoration.

In the event of any disagreement over the value of 153 High Street (the value based on the agreed calculation method, is estimated at £625,000) there is an agreement that we can refer it for a binding determination from an independent valuer. Jomast transferred 153 High Street to Jomast Leisure and Property Ltd for £358,785 in October 2012.

Who is responsible for the maintenance of the Globe, SBC or ATG?

SBC is responsible as the leaseholder.

Who are the Driver Group?

Driver Group (aka Drivers) are a global construction consultancy with offices at Wynyard. They were appointed by the Council as quantity surveyors and assistant project managers for the Globe restoration. They are a key member of the professional team.

What is their role?

Their role is to provide professional support and manage the contractual and financial aspects of construction project. They provide professional challenge on behalf of the Council to the main contractor, subcontractors and the wider professional team.

When were they appointed?

They were appointed through an NEC professional services contract in February 2016.

How were they appointed?

The appointment of Driver Group was through the Bloom procurement organisation, which manages the NEPRO professional services solution on behalf of NEPO (North East Procurement Organisation) that the Council is a member of.

What are their obligations to SBC?

The professional appointment places Driver Group under a clear duty of care to the Council and requires that as professional consultants they are contractually and professionally required to maintain professional indemnity insurance (PI insurance).

What level of insurance is in place?

The typical level of cover is £1million to £2million. However, given the complexity of this particular contract, SBC required enhanced £5million cover.

What is the total cost of the project to SBC?

The total capital project cost (capital) to SBC is £22.25million.

The total 25 year cost to SBC is £31.6million – this factors in everything including:

- capital project costs (£22.25million)
- prudential borrowing costs over the 25 years (£6.16million)
- the purchase of both the Globe and 153 High Street in 2031 (£0.825million)
- audience development/attraction of major artists years 1 to 5 costs (£1.65million)
- maintenance costs (£0.7million)

This figure represents the total cost of SBC's investment in the Globe, which will result in SBC owning a fully operating venue and associated freeholds. As at June 26, 2019 (the last monthly spend report) the total spent on the project is £6.3million, consisting of £1.4million of HLF grant funding and £4.9million from SBC.

It does not include any potential income from profit share, which is consistent with SBC's view that this is an investment in a regeneration project that will generate a major and sustained economic boost and not primarily in an income-generating/commercial venture for SBC.

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THE GLOBE

AMP REVIEW REPORT

For

Stockton on Tees Borough Council

June 2019

Driver Project Services Limited
15 Evolution
Wynyard Park
TS22 5TB

1) Executive Summary

Following a detailed due diligence exercise and subject to approval of an additional funding commitment, Driver Project Services (DPS) are able to recommend that Stockton Borough Council (SBC) appoint Willmott Dixon Construction (WDC) as Principle Contractor for The Globe project, subject to the submission of the revised AMP reflecting the required adjustments.

WDC has undertaken a thorough programme of investigation and design work in conjunction with SBC, SBC's professional advisors and the end-user, ATG, to develop a scheme which is buildable, complies with the brief and is in full accordance with the end-user's requirements.

As far as possible given the specialist nature of much of the project, WDC has market tested the works packages to their approved supply chain or has provided evidence of previous competition to justify the selection of single sourced suppliers where required to meet key programme dates or provide specialised design input.

2) Introduction

Following the submission of WDC's Preliminary Agreed Maximum Price (AMP), a detailed due diligence exercise has been undertaken by Driver Project Services (DPS) and reported to SBC officers on 4th June 2019.

The AMP was comprised as follows:

Cost Heading	Value	% of AMP
Advance Works	£2,096,778	10.37%
Main Works	£11,736,198	58.05%
Targeted Value Engineering	-£1,932,590	-9.56%
Option E Sums	£3,651,001	18.06%
Preliminaries, including Advance Works Preliminaries	£3,010,197	14.89%
WDC Design & Pre-Construction Fees	£1,012,487	5.01%
WDC Risk Allowance	£795,380	3.93%
WDC Overheads & Profit	£347,886	1.72%
Scape Fee	£100,819	0.50%
WDC Commercial Adjustment	-£600,000	-2.97%
Total AMP as Submitted	£20,218,156	

Despite targeting ambitious Value Engineering, the Preliminary AMP is significantly in excess of the approved budget.

The AMP also included a negative adjustment to the tender submission under the heading 'WDC Commercial Adjustment'. The £600,000 reduction included provision for late quotations yet to be received, the conclusion of commercial negotiations with their supply chain, the correction of minor errors in sub-contract tender submissions and potential over-measures within their bills of quantities.

3) Background to AMP / Early Contractor Involvement

In order to progress works on site whilst the detailed design was being undertaken, Willmott Dixon were commissioned to undertake packages of advance works, such as demolitions, stripping out, service diversions, foul drainage, groundworks and the placement of orders for critical long lead in items such as structural steelwork.

Wherever possible, these packages have been market tested to numerous supply chain partners and the quotes reconciled on an open book basis before the preferred supplier was chosen. The works have been and continue to be instructed, by way of Compensation Events (CEs) to the Advance Works Contract. The AMP includes agreed CEs to the value of £2,096,778.

4) Arithmetical Check

The Preliminary AMP was checked for arithmetical errors and none were found.

5) Completeness Check / Gap Analysis

5.1) Scope

The design proposals submitted as part of the AMP were reviewed by SBC and found to be in compliance with the Client Brief. It was noted that some minor changes may be required to reflect ongoing discussions with the operator and key suppliers, however if necessary, these could be accommodated through the Compensation Event process, rather than delay agreement of the AMP.

5.2) Principle Quantities – Omissions and Duplications

In support of the AMP submission, WDC provided DPS with a complete copy of their bills of quantities which they used as a basis for engaging their supply chain. DPS were therefore able to carry out an analysis of the quantities contained therein and check for any over and under measures. A number of queries were raised with WDC and a schedule of adjustments prepared by way of an addendum to the final AMP submission.

5.3) Change Control Register

The Main Works were market tested on a design, the layouts for which were 'frozen' for tendering purposes on 21st January 2019, with much of the detail still to be finalised. The elements of design that were subsequently finalised were captured on a Change Control Register and valued at £115,000, which is included in the Main Works total of £11,736,198 in the summary table in Section 1 of this report.

Until such a time as the AMP is agreed, WDC will continue to update the Change Control Register to reflect ongoing design development.

6) Technical Check

6.1) Rates & Prices

In principle, WDC will typically seek to obtain three quotes from the market for all trades. DPS have reviewed the priced Bills of Quantities and highlighted any erroneous rates and provided feedback to WDC accordingly.

6.2) Single Sourced Tenders

One of the factors that was considered in the decision to appoint WDC through the SCAPE Framework, was the added value that they could bring to the Globe, through the recent experience gained on the Darlington Hippodrome Project. In early discussions with WDC it was agreed that further benefit could be gained by early engagement with their Mechanical and Electrical Services sub-contractor, Leybourne Urwin (LU). The M&E Services were recognised as a critical component of the scheme and as LU had previously been appointed to the Hippodrome through a competitive tender process it was agreed that WDC could single-source the services from LU, subject to the provision of a fully transparent tender build-up and demonstrable market testing of their own sub-contract prices.

At approximately £4.8m, the M&E sub-contract forms the largest component of the single-sourced tender packages. To ensure effective governance, the prices submitted have been supported with access to a comprehensive schedule of sub-contract quotations and internal analysis, which Driver have been able to interrogate and benchmark.

From a total value of all works packages of £13,827,718, including advance works, WDC have obtained competitive quotations for works, valued at £7,945,890. This means that they have single-sourced £5,881,828 worth of works. Many of these packages are of a specialist nature, for example, the Crittall windows, are a bespoke product manufactured to replicate the original Crittall windows installed at the Globe; equally, the damp proofing strategy needed to be developed by a specialist sub-contractor, to provide an insurance backed guarantee, for the benefit of the Council and the Operator.

Where other packages, such as those for the provision of lifts, lift shaft and catering equipment, have been single sourced without alternative quotations, DPS have requested further market testing from WDC to evidence value for money.

To summarise:

	£	% of Works Value	% of AMP
Competitively Tendered	£7,945,890	57%	39%
Single Sourced	£5,881,828	43%	29%

6.3) Preliminaries

6.3.1) Review of Scape Framework Rates

The project preliminaries have been based upon a pre-tendered set of Framework rates and prices, used throughout the Scape 3 Framework. The rates tendered by WDC have been validated against the Framework Rates and found to be correct.

In addition to the tendered rates, WDC had however included a sum for inflation on the Scape 3 preliminaries rates, in the sum of £141,625. A breakdown and analysis of this lump sum has been requested from WDC in advance of their finalised AMP, to justify the amounts claimed.

6.3.2) Benchmarking

DPS have been able to view WDC's Preliminaries Workbook from their recent renovation of Darlington Hippodrome, which was similar in Gross Internal Floor Areas and duration to The Globe and compare it to their Preliminaries Workbook provided as part of their AMP submission for the Globe.

The analysis showed greater allowances for site supervision and scaffolding associated with the Globe, reflecting the enhanced levels of complexity and restrictive site access. For example, the works to the Globe require much more extensive scaffolding to support the roof replacement and to gain access to the heritage plasterwork at high levels and include numerous adaptations and stripping/rebuilding around other ongoing works due to the major restrictions gaining access to the workfaces. It should be note that the scaffolding package has been market tested to two suppliers and the lowest price included in the Preliminary AMP.

WDC also included allowances for fixing their price against future inflationary cost pressure, which were reflective of the current levels of uncertainty regarding the potential impact of Brexit on the construction market in the UK. No such allowance was included with the Hippodrome AMP but it should be noted that the Hippodrome was priced at a time when the UK construction market was a lot more predictable.

	Darlington Hippodrome	The Globe (Main Works)
Value	£1,614,733	£2,673,298
% of Overall AMP	14.18%	15.34%

Notwithstanding these differences, the resultant costs represent broadly similar percentages of the overall cost of construction within both projects.

6.4) Risk Allowances

6.4.1) Risk Register

The risk register included within the Preliminary AMP has been reviewed by both SBC and their advisors. The risk allocations and associated allowances represent approximately 3.9% of the Preliminary AMP and were considered to be fair and reasonable for this particular project.

6.4.2) Additional Contractor's Risk Allowances

WDC have added the following additional risk monies within the work packages which are over and above those included on the main risk register:

Rendering Package;	£10,000 for SFS Design Development Risk
Generally, across all sub-contract packages;	£67,325 for Fixed Price Risk

Following review with WDC it was agreed to omit the £10,000 for SFS Design Development Risk from the finalised AMP as it overlaps with the general Design Development Risk allowance on WDC's Risk Register.

6.4.3) Additional Client Risk Items with AMP

As well as the Option E Sums discussed below, WDC have also included the following Option E items with their work packages which represents potential additional pricing risk to SBC:

M&E;	£20,000 for lead paint measures required during the M&E installation works
Groundworks;	£30,000 for allowance for joints in stalls floor not yet designed
Groundworks;	£80,000 for surface water drainage not yet designed

SBC will be liable for the final value of these items and so should be aware that it may be higher or lower than the Option E Sums which WDC have allocated in the AMP.

6.5) Reasonableness of Option E Sums

The Option E, or Provisional Sums, are included by the Contractor for works that are not fully defined or for which design work is still ongoing. Whilst they are incorporated within the AMP submission, the sums do not form part of the Contractor's risk allowance and would be subject to adjustment, should the final designs or quantities differ from those envisaged at the time of submission.

The inclusion of Option E Sums represents a financial risk to SBC and as such the value of each would be subject to review with the client, prior to submission of the final AMP and may require that SBC consider the overall level of Client Contingency held externally to the AMP. Whilst it is recognised that it might be more appropriate for the risk on some items to sit with SBC, wherever possible, the sums should be de-risked and the resultant allowances included within the Contractor's control.

The Preliminary AMP included the following Option E Sums:

Item	Allowance	Notes
All Signage	£40,000	
Stage Engineering	£894,401	Based on Stage Engineering Quote
Performance Bond for Stage Engineering	£10,000	
Stage AV Installations	£1,051,458	Based on Northern Light Quote
Performance Bond for Stage AV Installation	£10,000	
BWIC with Stage Engineering & AV	£31,544	
Auditorium Seating	£399,665	Based on Audience Systems Quote
April price increase for Auditorium Seating	£13,029	3.26%
GRP Grid	£198,400	Based on Fibregrid Quote
e/o for handrails	£22,300	Based on Fibregrid Quote
e/o for design development	£55,175	25%
Heritage Handrails	£231,036	Based on Topp & Co. Quote
Terrazzo Flooring	£150,000	Based on Anchorite Guidance
Fibrous Plaster	£358,993	Based on JPS Guidance
Concrete Repairs	£50,000	
Timber/Rot	£50,000	
Grilles & Roof Lantern Refurbishment/Repair	£75,000	
Remediation of Drainage Outside 153	£10,000	
Total	£3,651,001	

7) Budget Cost Check

The Council's agreed budget was based upon highly detailed cost plans prepared by DPS that were reflective of the scheme that was originally to be built. In the event, major elements of the scheme have proven to be un-buildable following completion of the significant and largely unforeseen stabilisation works. Key elements of the revised scheme were therefore not possible to understand until discussions with specialist sub-contractors over the best methodologies for carrying out the works had taken place.

The following are the key areas of resulting cost pressure within the Preliminary AMP:

Final Mechanical & Electrical Services Design Solution - £1,931,000

Changes to the mechanical and electrical design to provide 'better technical solutions' in support of the finalised theatre design have significantly increased the scale and complexity of the required M&E installation. Following submission this has been subject to the value engineering review discussed in Item 8 below.

Final Steelwork Design - £625,000

The quantity of steel required has increased to carry the loads imposed by the new roof structure (in addition to the roof structure itself) and also as a result of increasing spans and the creation of voids to accommodate the final M&E design. There is also now a requirement for extra steelwork to tie the structural frame in with additional foundations that only became apparent after the demolition and stabilisation work were completed. As with the original design, the price increase has been compounded by the premium attached to manhandling and threading the new steelwork through the existing building structure and historic features and creating custom joints not normally required when access to the workface is more straightforward and steel can be craned into place in full length sections.

Final Roof Design - £1,400,000

WDC's design proposals had been based around the construction of a new roof enclosure to incorporate the plant room in a new roof void, constructed from lightweight steel sections, alongside siting major elements of plant on the existing Fly Tower roof. The loadings imposed by the finalised M&E design, however, proved too great for this design and therefore a revised roof solution was found to be necessary. This now involves traditional hot rolled structural steel members on larger foundations and the complete replacement of the existing Fly Tower roof structure.

Technical Theatre Fit Out - £500,000

The Technical Theatre fit-out is a very specialised area of the Globe and will be critical to its success. SBC had appointed an independent consultant, ACT Consultant Services, to advise upon stage and auditorium planning, design of theatre equipment, integration and costing. ACT have provided advice and assistance to both the Council and latterly WDC, to help ensure these core elements are fully integrated into the project. As part of this work, there has been ongoing discussion with the end-user, ATG, to identify the most appropriate selection of stage engineering equipment, lighting and sound systems.

As the detail of the design was being progressed, ATG had identified the need for more flexibility within the 'house' equipment so that they could accommodate a wider variety of touring shows within the completed venue. The resultant revisions to the schedule of equipment has led to an increase cost within the initial capital cost of the project of almost £500,000. A series of Value Engineering meetings has been undertaken with the operator and the specialist fit-out contractors, to help refine this list of equipment and mitigate the overall financial impact.

Heritage Handrails - £125,000

As part of the early design works it was always intended to salvage and restore a significant proportion of the original handrails from the many staircases servicing the auditorium. Once the detailed design solutions had been developed by the Contractor, it became clear that it may not be possible to re-use many of the existing handrails, due to the introduction of new tanking/wall linings as well as the requirements for modern safety standards. As a consequence, the AMP included provision for the provision of new handrailing to many of the stairs as well as specialist heritage feature railings.

As part of the Value Engineering exercise the extent of the new handrailing has been challenged and some aspects of the circle balcony rest rail have been re-designed to remove the requirement for a new rail, which will help mitigate this cost pressure.

Preliminaries - £1,319,000

Only after the buildable design had been finalised were WDC able to discuss the best works methodologies with their supply chain. Only then were the complexities and constraints of constructing the works in such a confined location fully understood and they were able to produce an accurate works model and programme. This called for a much more extensive scaffolding solution, additional management and technical staff in order for the works to progress as quickly as possible. Nevertheless, this still served to increase the programme duration and many of the preliminaries costs are time related.

Extra Areas of Fibrous Plaster - £300,000

It has only become apparent after the advanced works to the existing finishes that the extent of repairs to the existing historic fibrous plasterwork can be fully seen. A major part of this is the discovery of rotten members with the timber subframes supporting the plaster which mean that the plaster will have to be carefully removed to enable the timber repairs to take place, all which is at ceiling level, impacting on the scaffolding requirements.

Final Drainage Solution - £200,000

The design of the foul and surface water drainage from the Globe had always been considered to represent significant challenges to the project's designers. At the date of the 'design freeze' in January the AMP included some allowances for the ongoing development of workable drainage solutions. The drainage package was however one of the earliest pieces of work in the final design phase to be undertaken on site and once design solutions had been finalised, it has been necessary to undertake some works out of sequence, in order to maintain progress with the overall programme.

Items of plant and equipment had to be dismantled, craned into the Globe basement and then subsequently re-assembled to facilitate the works. Temporary ramps have been constructed and much of the rubble and arisings from the excavation, double and triple-handled to remove it from the basement to ground level. As a consequence, the cost of this work carried a premium that had not been anticipated within the budget and which could only have been determined once the designs had been completed and the construction sequences had been fully mapped out.

8) Value Engineering

An allowance of -£1,932,590 has been included within WDC's Preliminary AMP for 'targeted value engineering', based upon assumptions made by WDC and their supply chain.

SBC and WDC have subsequently held detailed workshops with specialist suppliers to review the targeted value engineering and confirm the realistic and achievable value engineering scope in the following terms:

- i) What is acceptable to SBC?
- ii) What is acceptable to the end user, ATG?
- iii) What will the impact be?
- iv) Can the estimated value be realised?
- v) Are there any further opportunities for value engineering not already identified?

The outcome of this exercise will be factored into the agreed AMP.

9) Client Contingency

Given the nature of the existing building and the potential issues that can only be assessed once works have progressed to the appropriate stage, DPS recommend SBC set aside a Client Contingency of at least £500,000 for this project.

10) Recommendations

Following a detailed due diligence exercise and subject to approval of an additional funding commitment, Driver Project Services (DPS) are able to recommend that Stockton Borough Council (SBC) appoint Willmott Dixon Construction (WDC) as Principle Contractor for The Globe project, subject to the submission of the revised AMP reflecting the required adjustments.

WDC has undertaken a thorough programme of investigation and design work in conjunction with SBC, SBC's professional advisors and the end-user, ATG, to develop a scheme which is buildable, complies with the brief and is in full accordance with the end-user's requirements.

As far as possible given the specialist nature of much of the project, WDC has market tested the works packages to their approved supply chain or has provided evidence of previous competition to justify the selection of single sourced suppliers where required to meet key programme dates or provide specialised design input.

As an outcome of this due diligence a revised AMP Submission has been requested from Willmott Dixon, reflecting the following:

- Adjustments to reflect any items missing from the scope of the works
- Adjustments to the value of Compensation Events
- Adjustments to the quantities and prices, highlighted by Driver Project Services
- Adjustments to the Change Control Register, accommodating design development since submission of the preliminary AMP submission
- Adjustments to the Value Engineering items
- Adjustments to the Option E Sums, retaining a greater proportion of items within the AMP
- Adjustments to the Scope Inflation adjustment agreed with Driver Project Services
- Incorporation of items previously identified within the Interpretation Budget
- Adjustment for late quotations

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ESTIMATING THE SOCIAL AND ECONOMIC IMPACTS OF THE GLOBE DEVELOPMENT PROPOSALS



For Client: Stockton-on-Tees Borough Council

06 June 2017

SUMMARY

This brief report provides an estimate of the social and economic impacts of a project to restore Stockton Globe to house a commercial entertainment operation in Stockton Town Centre. Economic impact appraisal techniques and established national benchmarks are used to derive these estimates. Impacts are assessed over a 10-year period from the first full year of operation.

In sum, the main estimated benefits and impacts are:

Gross impacts – that do not assume the activity replaces spend on existing local leisure offers and businesses. The total local gross impacts, adding together the impacts from the music venue’s operation and prospective visitor spend are estimated at:

- GVA: £38.3 million in total after 5-years; and £80.5 million in total after 10 years (i.e. by year five, £8.4 million in GVA per year)
- Employment: 256 jobs – 90 from the direct operation of the venue and from the supply chain; and 166 from attendee spend

Net impacts – that assume some of the expenditure made on the venue and in the trip to see live music – is expenditure that would have been made on other leisure activities and businesses:

- GVA: £13.0 million after 5-years; and £27.4 million after 10 years (i.e. by year 5, £2.9 million in net GVA per year)
- Employment: 87 jobs – 31 from the direct operation of the venue and from the supply chain; and 56 from attendee spend

Other estimated performance measures of interest are as follows:

- Visitor spend: When the Globe is fully operating and established, by 2024, the visitor spend brought to the local economy is estimated at £18.0 million per annum. As part of this, it is estimated that, on average, each attendee would spend the same value as their ticket price in the local economy¹. If some of this new spend could be retained in Stockton Town Centre, then this would be beneficial

The main headline findings for long-term impact and value for money are as follows:

- Gross GVA: Net Grant Equivalent ratio of £10.53 of Gross GVA generated for every £1 of Stockton-on-Tees Borough Council expenditure – over a 16-year period from the project start to eventual purchase of The Globe by Stockton-on-Tees Borough Council in 2033/34.
- 220 gross permanent jobs created, cost per job of £53,200.

¹ This is a very conservative estimate. This is assumed as 1.5 times the value of tickets. This is a very conservative estimate. Adding together all the projected revenue in 2024 gives a ratio of total revenue being 2.7 times the ticket revenue. A study undertaken on live music in Bristol concluded that 5.88 times the ticket price was spent in the city’s economy (Bucks New University & UK Music, Bristol Live Music Census Report, 2016).

Wider benefits

- Up to 33 of the total of 50 jobs at the venue might be considered as ‘entry level’ and suitable from unemployed/at risk local residents should they also receive the support and training that they might need to successfully apply for, enter and remain in these roles
- If the Town Centre could capture some of the new visitor spend then that would be a boost to businesses and services. It would also help to make visitor-oriented (such as restaurants, cafes, bars, entertainment and arts) services increasingly viable, thus increasing the vibrancy of the Town Centre offer – particularly the evening economy
- There may also be long term impacts such as perceptions of Stockton Town Centre from attendees at the Globe, and from improvements to the service offer due to increased visitor spend and business investment. Whilst these are not directly quantifiable, the project is another valuable Town Centre investment that could contribute towards the long-term vibrancy and vitality of the Town Centre.

INTRODUCTION

Background to the proposed Stockton Globe restoration project

The project is to restore the Globe Stockton to house a commercial entertainment operation which will have a major impact on the social, cultural and economic regeneration of the town. The Globe is historically significant and has a rich heritage relating to its past, in particular as a music venue where bands like the Beatles once performed. The local community is enthusiastic about its restoration and future use.

The total cost of the project is £13.0 million at the delivery phase of the project. Stockton-on-Tees Borough Council has an agreement to lease with the current owners with the option to purchase at 15 years and 39 years, with an intention to purchase at 15 years.

The project has three elements:

- a capital development to restore and redevelop the Globe to create a fully functional and accessible live music venue;
- a programme of heritage activities, spearheaded by Heritage Lottery Fund investment and then integrated into the future operations of the Globe;
- the operation of the Globe by an established specialist commercial venue business.

The Globe will be operated by a specialist live music venue operator. Stockton-on-Tees Borough Council will be agreeing terms with the preferred operator over the next few months. Stockton-on-Tees Borough Council has had exploratory discussions with established venue operators and is satisfied that there is sufficient commercial interest in the operation of the Globe for it to be a viable business. Each operates an individual business model depending on its owned subsidiaries and established partnerships.

About this report

In order to progress the development and to determine the viability of the scheme, Stockton-on-Tees Borough Council commissioned My Local Economy (the trading name of Athey Consulting Limited) to undertake an appraisal of the potential socio-economic benefits from the investment.

This brief report provides an estimate of the social and economic impacts of the project. Economic impact appraisal techniques and established national benchmarks are used to derive these estimates. A number of assumptions have been made in order to conduct this impact estimate. These are clearly identified through this report.

THE KEY FINANCIAL AND PERFORMANCE MEASURES USED TO INFORM THE IMPACTS AND BENEFITS APPRAISAL

Figures 1 to 3 set out the project details in terms of revenue generation, salaries and jobs. It is assumed that 24 per cent of revenues generated by venue sales are profits that get translated into GVA, as are total salaries. We have calculated that there will be 50 full-time equivalent posts at the venue.

FIGURE 1: PROJECT DETAILS

Project year (full)	0	1	2	3	4	5	6	7	8	9	10
Year end	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Months of operation	1	12	12	12	12	12	12	12	12	12	12
Income from food & bar £M	0.063	1.000	1.075	1.150	1.225	1.300	1.300	1.300	1.300	1.300	1.300
Income from merchandise £M	0.001	0.016	0.017	0.031	0.045	0.022	0.022	0.022	0.022	0.022	0.022
ticket income £M	0.303	4.700	5.100	5.500	5.900	6.300	6.300	6.300	6.300	6.300	6.300
Additional revenue from attendees spend in local economy (assume 1.5x ticket price) £M	0.455	7.050	7.650	8.250	8.850	9.450	9.450	9.450	9.450	9.450	9.450
Salaries £M	0.063	0.978	0.978	0.978	0.978	0.978	0.978	0.978	0.978	0.978	0.978
FTE Jobs - employment in the venue	0.884	13.744	14.820	15.909	16.998	18.049	18.049	18.049	18.049	18.049	18.049
Total revenues generated – venue and attendees £M	0.063	1.000	1.075	1.150	1.225	1.300	1.300	1.300	1.300	1.300	1.300

FIGURE 2: ESTIMATED JOBS AND EARNINGS

Staffing (£'000)	Annual / hourly salary	Other details
Management / Admin:		
General Manager	£50,000 annual	
Deputy General Manager	£35,000 annual	
Assistant General Manager	£25,000 annual	
Head of Sales and Marketing	£38,000 annual	
Press & PR Officer	£17,000 annual	
Education & Development Manager	£18,000 annual	
Back of House:		
Stage Manager	£25,000 annual	
Assistant Stage Manager	£25,000 annual	
Chief Electrician	£25,000 annual	
Stage Crew (casuals)	£93,000 annual	
Maintenance Manager	£25,000 annual	
Maintenance Assistant	£25,000 annual	
Building & Technical Manager	£35,000 annual	
Front of House:		
Deputy FOH Manager	£30,000 annual	
Cellar Person	£20,000 annual	
Ticketing / Box Office:		
Box Office Manager	£30,000 annual	
Deputy Box Office Manager	£25,000 annual	
Box Office Sales Assistants	£45,000 annual	
Hourly staff		
No of bar staff	10	£96,000 annually, if 6 days per week, 50 weeks per year
Shift length	4	
Hourly rate (£)	£8.00 hourly	
Number of ushers	34	£295,800 annually, if 6 days per week, 50 weeks per year
Shift length	4	
Hourly rate (£)	£7.25 hourly	

FIGURE 3: OPERATIONAL REVENUES AND GROSS GVA

Project year (full)	0	1	2	3	4	5	6	7	8	9	10
Year end	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Total income £m	0.367	5.716	6.192	6.681	7.170	7.622	7.622	7.622	7.622	7.622	7.622
Net profit (24% of income) £m	0.088	1.372	1.486	1.603	1.721	1.829	1.829	1.829	1.829	1.829	1.829
Salaries	0.109	1.692	1.836	1.980	2.124	2.268	2.268	2.268	2.268	2.268	2.268
Est gross GVA = net profit + salaries £m (venue operation only)	0.151	2.350	2.464	2.581	2.699	2.807	2.807	2.807	2.807	2.807	2.807

Figure 4 presents an estimate of additional visitor spend beyond what is spent in the venue. This is assumed as 1.5 times the value of tickets. This is a very conservative estimate. Adding together all the projected revenue in 2024 gives a ratio of total revenue being 2.7 times the ticket revenue. A study (probably the most comprehensive in the UK) undertaken on live music in Bristol concluded that 5.88 times the ticket price was spent in the city's economy (Bucks New University & UK Music, Bristol Live Music Census Report, 2016).

Using data from Visit Britain in 2015, that £54,000 of visitor spend created 1 job in the local economy, we applied CPI inflation to get the value of £57,000 spend per job in 2017 values. This then calculates as a total of 196 jobs by years 5 and 10.

FIGURE 4: VISITOR SPEND, ASSOCIATED JOBS AND GROSS GVA

Project year (full)	0	1	2	3	4	5	6	7	8	9	10
Year end	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Visitor spend £m	0.455	7.050	7.650	8.250	8.850	9.450	9.450	9.450	9.450	9.450	9.450
GVA: spend ratio	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
GVA from visitor spend £m	0.109	1.692	1.836	1.980	2.124	2.268	2.268	2.268	2.268	2.268	2.268
spend per job £	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000
Jobs generated from visitor spend	24	154	164	175	185	196	196	196	196	196	196

The value of 57,000 in visitor spend generating 1 job in the local economy is taken from Visit England benchmarks from 2015 and has been updated for inflation, and is estimated in 2017 values.

TOTAL IMPACTS

Calculating impacts

The operational GVA is also has some supply chain (multiplier) benefits – these are calculated as 2.2 times the direct GVA from operations; and 1.8 the direct jobs from operations.

GVA from visitor spend does not conventionally have multiplier benefits associated with it.

The total local gross impacts, adding together the impacts from the music venue’s operation and prospective visitor spend are estimated at:

- £38.3 million in total after the first 5-years of full (12-month) operation; and £80.5 million after 10 years (i.e. by year 5, £8.4 million in GVA per year)
- 256 jobs

By gross impacts – we mean the total impacts calculated if we assume that the new venue does not take attendees/business from other music venues locally or regionally.

Given that the project receives public investment, we must consider the effects on other businesses and expenditure. If we were to take into account the impacts that a new music venue might have on existing local and regional businesses, then we must assume that ‘displacement’ of existing business activity has taken place – i.e. that a proportion of attendees will be those that would have otherwise spent money in other leisure activities and businesses. **The total local net impacts are estimated as follows:**

Local benefits

- £13.0 million in total after the first 5-years of full (12-month) operation; and £27.4 million after 10 years (i.e. by year 5, £2.9 million in GVA per year)
- 87 jobs

Regional benefits (assume regional displacement of 50%)

- £6.5 million in total after the first 5-years of full (12-month) operation; and £13.7 million after 10 years (i.e. by year 5, £1.3 million in GVA per year)
- 44 jobs

FIGURE 6: SUMMARY OF ESTIMATED LOCAL AND REGIONAL ECONOMIC IMPACTS

		5-year cumulative 2017 prices	10-year cumulative 2017 prices
<i>local impacts</i>			
GROSS	GVA	38,280,902	80,497,462
IMPACTS	jobs	220	220
<i>local impacts</i>			
NET	GVA	13,016,000	27,369,000
IMPACTS	jobs	87	87
<i>regional impacts</i>			
NET	GVA	6,508,000	13,684,500
IMPACTS	jobs	44	44

In some economic impact appraisals and assessment studies, calculations are made regarding the ‘deadweight’ effects of spend – i.e. things that would have happened in the market anyway regardless of public expenditure. In this case, it is assumed that there is no deadweight. Without Stockton-on-Tees Borough Council taking the lead, and making its investment it is assumed that The Globe would not reopen and operate in the future.

WIDER IMPACTS AND BENEFITS

A number of wider impacts from the project are plausible, including:

- Entry level jobs that might be suitable for local unemployed/at risk residents
- Footfall and visitors to Town Centre; additional spend brought to town centre; image and branding

Potential job opportunities for unemployed and those further from the labour market

Out of the 50 jobs in the venue, 33 are in positions which might be considered ‘entry level’ – i.e. suited to a new employee. With support and training, it is possible that an unemployed/at risk individual could be placed into these jobs.

Footfall and visitors to Town Centre; additional spend brought to town centre; image and branding

As calculated, by 2024 £18.0 million in new spend would be coming into the locality every year from the revenue from the venue operation and concert attendees. It would be reasonable to assume that a proportion of this would be captured by Town Centre businesses. If the Town Centre could capture a substantial amount of this new visitor spend then that would be a boost to businesses and services. It would also help to make visitor-oriented (such as restaurants, cafes, bars, entertainment and arts) services increasingly viable, thus increasing the vibrancy of the Town Centre offer – particularly the evening economy.

There may also be long term impacts such as perceptions of Stockton Town Centre, and from improvements to the service offer due to increased visitor spend and business investment. Whilst these are not directly quantifiable, the project is another valuable Town Centre investment that could contribute towards the long-term vibrancy and vitality of the Town Centre.

Complementing other successful investments by Stockton-on-Tees Borough Council

The council recently invested in the development of a new 125-bed hotel development in Stockton Town Centre, and successfully leased the building to Hilton’s economy Hampton by Hilton brand. An economic impact appraisal determined that this project has the potential to deliver £33,920,000 in Gross GVA after 5-years; and £67,705,000 after 10 years (i.e. approximately £6.7 million in GVA per year). Further, the hotel will potentially generate 106 jobs – 34 from the direct operation of the hotel; 41 from supplier activities and the local expenditure of employees; and 31 from visitor spend.

NET GRANT EQUIVALENT AND VALUE FOR MONEY

Total expenditure and income has been calculated over a 16-year period from the set up in 2018/19, to final purchase of the Theatre by Stockton-on-Tees Borough Council in 2033/34 – as detailed in **Figure 7**. Total expenditure over 16 years, including purchase, is estimated at £12.980 million. Total income is estimated at £1.250 million. Therefore, the net grant equivalent – expenditure less income, stands at £11.730 million over 16 years.

Figure 8 presents the calculation of economic impacts and value for money measures over a 16-year period from the beginning of the project and operation of the venue to its purchase Stockton-on-Tees Borough Council for £1,000,000 in 2033/34.

The main headline findings for long-term impact and value for money are as follows:

- Gross GVA generated between 2018/19 and 2033/34: £123.156 million.
- Permanent jobs generated between 2018/19 and 2033/34: 220
- Total Net Grant Equivalent of £11.730 million (in current values) between 2018/19 and 2033/34.
- Gross GVA: Net Grant Equivalent ratio of £10.53 of Gross GVA generated for every £1 of Stockton-on-Tees Borough Council expenditure.
- 220 gross permanent jobs created, cost per job of £53,200.

FIGURE 7: ESTIMATED EXPENDITURE, INCOME, AND TOTAL NET GRANT EQUIVALENT OVER 16 YEARS

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Expenditure (£m)																
Grant funding (£m)	11.000															
Rent (£m)		0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	
purchase (£m)																1.000
Income (£m)																
Rates (£m)		0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	
Rent (£m)						0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	
Total expenditure (£m)	11.000	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	1.000
Total income (£m)	0.000	0.075	0.075	0.075	0.075	0.095	0.095	0.095	0.095	0.095	0.095	0.095	0.095	0.095	0.095	0.000
Total over 15 years (£m)																
Total expenditure (£m)	12.980															
Total income (£m)	1.250															
Net Grant Equivalent (£m) over 16 years	11.730															

FIGURE 8: CALCULATION OF ECONOMIC IMPACTS OVER 16-YEAR PERIOD UNTIL PROPERTY ACQUISITION, AND VALUE FOR MONEY MEASURES

	GVA £	Jobs	GVA: grant ratio	Cost per job £
GROSS IMPACTS	123,156,000	220	10.53	53,200
NET IMPACTS – LOCAL	36,131,000	87	3.09	134,400
NET IMPACTS – REGIONAL (assumes leakage rate of 0.5%)	18,066,000	44	1.54	268,800



Athey Consulting Limited, Registered in England and Wales No. 7771760
Registered office address: Suite 34, 23 King Street, Cambridge, CB1 1AH
Contact: glenn@mylocaleconomy.org Tel: 01223 655181 / 07799 880317
www.mylocaleconomy.org