

Joint Executive (Cabinet) Committee

Forest Heath & St Edmundsbury councils

West Suffolk
working together

Title of Report:	Newmarket Cinema and Restaurant Development: Outline Business Case	
Report No:	CAB/JT/19/018	
Report to and date/s:	Joint Executive (Cabinet) Committee	12 March 2019
	FHDC Council	20 March 2019
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Purpose of report:	To seek adoption of the Outline Business Case and a budget for the next stage of the project to enable detailed plans to be developed for a cinema development in Newmarket.	
Recommendation:	<p>It is <u>RECOMMENDED</u> that:</p> <p>(1) Members endorse the project objectives to continue to work towards bringing a cinema and restaurant development to the heart of Newmarket;</p> <p>(2) the Outline Business Case for the development of a 3 or 4 screen cinema, as contained in Exempt Appendix A to Report No: CAB/JT/19/018, be approved;</p> <p>(3) a budget of up to £190,000 be approved, funded by Strategic Priorities and MTFs reserve, to deliver the further design and</p>	

	<p>study work as set out in paragraph 6.1 and Table 11 of the Outline Business Case; and</p> <p>(4) an additional £20,000 is approved, funded by Strategic Priorities and MTFs reserve, to undertake a condition and options review of the Guineas multi-storey car park.</p>		
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>As it is a decision of full Council.</p>		
<p><i>The decisions made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included on the Decisions Plan.</i></p>			
<p>Consultation:</p>	<ul style="list-style-type: none"> Initial consultation has been undertaken with Suffolk County Council Highways Department. Any planning application will be subject to a public consultation. 		
<p>Alternative option(s):</p>	<ul style="list-style-type: none"> Not to adopt the Outline Business Case and not progress any further work on the development of a cinema for Newmarket. 		
<p>Implications:</p>			
<p><i>Are there any financial implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> As set out in the Outline Business Case and recommendations. At this stage the decision is to approve the budget for further plans and associated studies, not the final development 		
<p><i>Are there any staffing implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>		
<p><i>Are there any ICT implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>		
<p><i>Are there any legal and/or policy implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> As explained in the Outline Business Case 		
<p><i>Are there any equality implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>		
<p>Risk/opportunity assessment:</p>		<p><i>See section B of the Outline Business case</i></p>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
<p>1. Decline in success of existing Newmarket town centre businesses and loss of income to Council from existing investments</p>	<p>High</p>	<p>Development of a cinema and restaurant offer to increase footfall into the town centre to protect its future</p>	<p>Medium</p>

2. Financial case does improve as full business case is developed	High	Explore value engineering opportunities/design refinement. Review car parking solutions. Review alternative funding options and delivery methods including seeking external funding.	Medium
3. Cost overrun at the design stage	High	Agree a fixed price contract with professional design teams/contractors. Produce realistic estimates from the outset that regularly monitored against the design.	Low
4. Highways challenges leading to additional costs	Medium	Highways studies undertaken. Early engagement with Suffolk CC.	Low
5. The Council decides not to progress with a cinema development leading to abortive costs	Medium	Development of plans include value engineering and least impact on car parking and highways. Negotiate pre let with Cinema operator	Medium
Ward(s) affected:	All Newmarket Wards		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	Leisure Opportunities in Newmarket 2017 Cabinet Report http://svr-mgov-01:9070/documents/s20877/CAB.FH.17.031%20Leisure%20Opportunities%20in%20Newmarket.pdf?\$LO\$=1		
Documents attached:	Exempt Appendix A: Outline Business Case and its Exempt Appendices 1 - 4		

1. Key issues and reasons for recommendation(s)

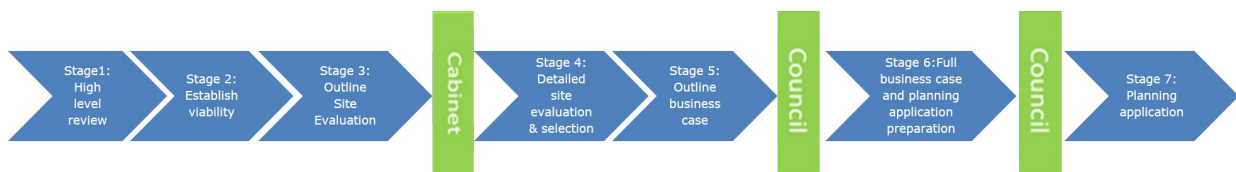
1.1 This Outline Business Case (OBC) is a further gateway in the journey to develop a viable cinema scheme for Newmarket. It summarises work already completed including the study undertaken as a result of the Cabinet paper and funding approval in June 2017, and sets out the case to invest in detailed design and studies necessary to enable a planning application to be submitted for a cinema in Newmarket. At this stage of the project, the intention is to give councillors the confidence to take the next step of working up a final business case and designs that can be submitted to planning. This OBC is seeking to demonstrate that the next stage of the project is a good investment of taxpayers' money. Councillors are not being asked to approve details or funding models for the scheme that could actually be delivered, only the budget for the work to prepare for them.

2. Background

2.1 The Council has been evaluating the issues and options around a cinema development for Newmarket, as part of its commitment to the Councils' vision:

"Supporting and investing in our West Suffolk communities and businesses to encourage and manage ambitious growth in prosperity and quality of life for all".

2.2 This OBC sets out the case to bring a cinema and restaurant development to the heart of Newmarket. It brings together findings from market studies and preliminary design and evaluation work and provides a detailed site evaluation together with recommendations to move to the next stage of the project. As with any potential project of this scale, a staged approach is being undertaken with gateways in place for each decision. This business case summarises the viability and site evaluations (i.e. Stage four) and, pending Council approval, we will move to Stage six of the approach illustrated below:



3. Why is the Council considering a cinema for Newmarket?

3.1 The development of a cinema and restaurant scheme is primarily about place-shaping for, and an investment in, Newmarket. Whilst the development of the standalone facility will require a net contribution from the council, the overall estate, including the car park and the Council's interest in the Guineas, will make a positive financial contribution and also safeguard and protect future income from these assets. Across the country, new cinema developments are being delivered in partnership with local authorities as stand-alone developments rarely provide a

commercial return. But the importance of a leisure dimension to a town centre is clear. Evidence from other towns shows the importance of creating a high street "destination". Sir John Timpson, writing the forward to the Government's "High Street Report" (December 2018) observed that *"The town centre of the future should attract local people to take part in a variety of activities - including dining, leisure and sport, culture and the arts, entertainment, medical services, and many more uses"*.

3.2 The strategic case for a cinema development is well made: *"A new cinema alongside food and beverage uses would significantly improve the attraction, vitality and viability of the town's daytime and evening economy. It would also help to widen the customer profile, attracting more family visits and a younger age profile."* (Forest Heath Retail and Leisure Study (2016)).

3.3 Local cinemas have a wide range of positive impacts on their communities (The Impact of Local Cinema, Film London 2005). Local Cinemas:

- Foster a sense of place and provide a focus for the local community;
- Play an important social inclusion role;
- Enhance learning opportunities through links with local schools and colleges;
- Contribute to the vitality and vibrancy of town centres, encouraging the evening economy and increasing footfall;
- Positive impact on safety and security;
- Contribute to the local economy through audience and visitor spend, the use of local suppliers, and their (albeit limited) impact on the local labour market

3.4 In Newmarket, there is strong cinema operator interest and strong local demand for a cinema.

3.5 The Principle of "investing in our growth" is established. The Council recognises that in order to promote economic growth, it needs to consider the investment role it can play to shape places while also ensuring the Council's own financial self-sufficiency.

3.6 There is the need to protect the Councils' existing town centre assets – and the financial return they deliver that is used to fund essential Council services.

3.7 Providing a town centre cinema offer will address the threat of an out of town scheme that would have a negative impact on the town centre. In 2013 a scheme at George Lambton Playing Fields was turned down due to such an impact.

3.8 The OBC provides more detail on the financial case as this is the most challenging aspect of this project, a situation that is reflected in other cinema proposals around the country. With current land values, build costs and rental returns it is rarely possible to develop a town centre scheme that does not require some sort of local authority support.

4. Work to date and site selection

4.1 Over the last 2 years, the Council has undertaken a number of studies that have all contributed to the production of this outline business case. For any development of this scale it is essential that sufficient due diligence is undertaken before a move to delivery stage. This project has offered additional challenges due to the constrained sites available. The studies cost a total of £66,155 and are summarised below:

Study	Purpose	Cost
Cinema Next, Newmarket Cinema Study (2017)	Viability of a cinema development in Newmarket, shortlist potential sites, market review; wider benefits	£19,000
Harris Partnership (2017)	Design options for 3 shortlisted sites with outline costings	£39,155
Montagu Evans (2018)	Review work to date; refine options; market engagement including parking impacts and options study	£8,000

4.2 Those studies have concluded that there would be operator interest in a development, but the challenge has consistently been to refine costs as far as possible. The financial appraisal (Exempt OBC Appendix 4) explores the financials in more detail.

4.3 The Harris Partnership Study evaluated 3 sites in the town and concluded that building a development on Fred Archer Way, adjacent to the Guinea's multi-story car park, next to the North entrance to the Guineas was the premium development site, having regard to:

- Availability of land
- Planning constraints and size requirements
- Operator requirements including connectivity, visibility and car parking provision
- Council considerations including enhancing street scene, financial case and risk profile

4.4 However that site poses challenges in regard to the loss of surface car parking and access arrangements for the multi storey car park and these are explored in this business case. This business case explores 2 alternative schemes on that site - both delivering 3 restaurants and at a cinema with at least 3 screens.

4.5 The wider benefits and objectives of the project will include:

- Enhance Newmarket's town centre offer and the Guineas shopping centre to increase footfall and spend in the town;
- Improve the town street scene through creation of a plaza area;
- Act as a wider catalyst for growth
- Create new employment opportunities
- Enhance Newmarket as a destination for business and tourism
- Deliver a positive response from the Council to the local demand for a cinema
- Protect the Council's income from existing town centre assets;
- Increase business rates and car parking revenue to invest in Council services.

4.6 There are different options available to the Council to ultimately bring a scheme forward, but at this stage the purpose of the outline business case is to seek funding to develop the outline plans to a stage that a planning permission can be sought. This will have the benefit of providing market assurance of the Council's commitment to a scheme and provide a platform to enter into negotiations with potential operators.

5. Operator Interest

5.1 Positive discussions have been held with a number of operators and advisors are optimistic about securing a cinema operator for Newmarket. The next stage of the project will enable these discussions to progress further.

6 Next Steps

6.1 In order to move to a detailed brief and the surveys necessary for a planning application, the Council would need to commit to undertaking the following studies and to further develop market engagement:

- Detailed Highways survey, studies and plan
- Detailed Design work (RIBA Stage 3)
- Market Engagement
- Agent support for development of pre-let agreements.

6.2 The estimated cost of this work is £190,000 for a three or four screen cinema. Should a scheme for a larger cinema be developed that will impact further on car parking and the highway, that cost will increase to £280,000.

6.3 Undertaking such studies is an essential stage for a project of this scale and the costs are proportionate to work done for other Council led developments such as the Mildenhall Hub and the Cornhill development in Bury St Edmunds. However, there is always a risk that such costs are abortive should a scheme not progress.

6.4 Given a cinema development will have a clear impact on the Guineas multi-storey car park there is an opportunity now to undertake a full evaluation of that car park and investigate its structural condition and look at opportunities for reconfiguration or extension to improve flow and increase capacity. It is suggested that this study is undertaken in conjunction with the cinema evaluation as should works be necessary they need to be planned to link with the cinema development. Such a study would cost no more than £20,000.

6.4 The brief to the designers for the cinema design will include exploring value engineering opportunities, environmental performance and maximising lettable space in the development and the same time as minimising the impact on car parking whilst the construction work takes place and when the cinema is built. As a result of this further work it is hoped that the financial case will improve further. External funding opportunities will also be explored.

Figure 1: Concept design for cinema development (The Harris Partnership)

