

North Yorkshire Council

Executive

17 March 2026

Harrogate Convention Centre – Studio 2 refurbishment works

Report of the Corporate Director – Resources

This report contains a confidential Appendices A and B which contain information of the type defined in paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) as it contains information relating to the financial and business affairs of the Council and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information

1.0 PURPOSE OF REPORT

- 1.1 To inform the Executive as to the results of a procurement exercise for the refurbishment of Studio 2, Harrogate Convention Centre, and to seek approval of the revised business case. Subject to the approval of the revised business case, approval is sought to allocate funding to deliver the scheme and to award the construction contract.

2.0 BACKGROUND

- 2.1 Harrogate Convention Centre is a key driver of economic impact to Harrogate and the surrounding region. However, the venue is aging and requires an annual subsidy of circa £1.1m pa from the council to continue to operate.
- 2.2 Prior to LGR, Harrogate Borough Council had developed a £57m refurbishment scheme for the conference centre. North Yorkshire Council commissioned 31Ten to evaluate the scheme and suggest alternative options.
- 2.3 31Ten recommended that NYC not progress with the £57m scheme but continue with the refurbishment of Studio 2 as a large breakout space that at maturity would mitigate the current annual subsidy of £1.1m required to operate the venue.
- 2.4 This was reported to the Executive on 17 December 2024 and the following recommendations were unanimously resolved that relate to this current report:
- 2.5 Executive agree in principle to support the Soft Market Testing recommended Option 3 - the creation of Studio 2 and explore the shift to a more commercial operational approach.
- 2.6 Officers scope and tender the most cost-effective construction works to create Studio 2, engaging with NYC Align Property Partners and utilising preparatory work already completed, with cost estimates indicating a budget of £7 million.
- 2.7 A new Business Plan for HCC be developed including investment in Studio 2, commercial operating models and the future vision for HCC supported by financial, operational, and sustainability plans.
- 2.8 Authority be delegated to the Corporate Director Resources, in consultation with the Corporate Director Community Development, Executive Member for Finance and Resources,

Executive Member for Open to Business, the authority to approve the business case to implement the improvements to Studio 2 to the value of £7m and to undertake any associated decisions.

- 2.9 An NYC project team was formed, and a full tender process commenced for the construction of Studio 2. However, now firm costs have been established the cost of the project has increased from £7.1m to £9.4m.
- 2.10 The project team have therefore revisited the business case and extended the payback period from 8 years to 10 years for the Executive to consider, the detail of which is set out in this report.

3.0 STUDIO 2 SCHEME DEVELOPMENT

- 3.1 Under the agreed condensed programme for delivery, the Property Service's Capital Delivery Team have worked with HCC Staff and Align Property Services Ltd to develop the scope of the refurbishment requirements for Studio 2. A compliant procurement exercise has been undertaken for the redevelopment of Studio 2 using the YORBuild 3 Framework. The work was tendered October 2025 to January 2026.
- 3.2 The project cost outlined in the Executive Report from December 2024 was for £7.069m based on a cost estimate provided by Align Property Services (reference 2.6). The December 2024 cost was a high level, desk-based estimate based on outline design information. Following a year of inflation and detailed design development, a pre-tender estimate of £8.4m was produced. The project was then competitively tendered through YORBuild; a tender being returned with an overall project cost of £9.4m. The tender return was evaluated by Align Property Services and deemed valid. It is within market value rates and is recommended for acceptance. For further detail please see Appendix A.
- 3.3 As noted in the full Business Plan at Appendix B, converting Studio 2 into flexible conference breakout spaces is expected to significantly enhance the venue's commercial potential. This focuses on increasing revenue and maximising the Centre's usage, aiming to reduce the need for a continued financial subsidy and attract future investment. With a proposed initial investment of £9.4 million, Studio 2 is projected to generate an additional £1.77 million in annual income (£1.34 million net) at maturity by year 6. This would eliminate the annual operating subsidy (excluding centrally held property costs) from the current level of £1.1m (2024/25) and increase the financial stability of the venue.
- 3.4 Subject to the approval of the Business Plan and the overall funding for this scheme and subsequent decision contract award, the proposed construction programme is from June to December 2026.

4.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 4.1 Economic Growth - Investment in HCC supports the Council's Economic Growth Strategy and Destination Management Plan, prioritising business and leisure events for high-value tourism.
- 4.2 Carbon Reduction: Investment in HCC contributes to the Council's Climate Change Strategy.
- 4.3 Providing Value to the Taxpayer: Reducing or eliminating the subsidy to HCC enhances value for taxpayers.

5.0 ALTERNATIVE OPTIONS CONSIDERED

5.1 Not to progress with the scheme. This would mean that the £1.1m subsidy would not be eradicated and current confirmed and provisional bookings of circa £2.4m that involved using Studio 2 could be lost.

5.2 Undertake a value engineering exercise to reduce the uplift in capital cost. However, given the tight timescale to deliver this scheme before losing provisional bookings, and the need for all parties to be involved, this can only be undertaken post tender evaluation.

6.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

6.1 HCC is a cornerstone of Harrogate and the wider sub-region's business tourism offer, generating significant volumes of high value business outside the traditional peaks of leisure tourism. Investment in Studio 2 will consolidate this existing business and generate significant increases which will benefit local employers and suppliers.

6.2 HCC is an aging facility with numerous mechanical, electrical, and plumbing (MEP) systems that require repair or replacement. As one of the largest carbon emitters in North Yorkshire, HCC also faces high energy consumption and costs. The financial improvements accruing from the Studio 2 development will provide financial headroom enabling opportunities to replace the outdated MEP systems with modern, energy-efficient alternatives which are expected to significantly reduce the Centre's carbon footprint.

6.3 If planned maintenance, refurbishment projects, and reactive repairs are not addressed, the building will continue to deteriorate, increasing the risk of operational failures. These risks will be managed as effectively as possible in the short to medium term through careful prioritisation and management of the maintenance and lifecycle costs budget. This approach will ensure the venue's safe operation and compliance with health and safety standards. However, in the long term, essential repairs are necessary to sustain HCC's operations.

6.4 HCC operates with a small building services team that handles client-facing projects such as redecoration, toilet refurbishments, and LED lighting installations while supporting the delivery of statutory compliance tasks. The majority of compliance work is handled by the Property Services team, which has successfully managed statutory compliance across the venue.

6.5 Reactive and planned maintenance is also provided by the Property Services Team.

7.0 FINANCIAL IMPLICATIONS

7.1 The Full Business Case is added at Appendix B and sets out the anticipated improvement in the financial position of HCC following investment in Studio 2. This is summarised in the table overleaf and is based on a prudent assessment of the additional space that existing clients may take when the breakout rooms in Studio 2 are available, and of new events, specifically larger association conferences, which could bring their events to HCC once Studio 2 is developed.

Table – Uplift in income/costs faced by HCC directly following Studio 2 Refurbishment

Uplift	27/28 £k	28/29 £k	29/30 £k	30/31 £k	31/32 £k	32/33 £k	33/34 £k	34/35 £k	35/36 £k	36/37 £k
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Income	-395	-591	-787	-986	-1,281	-1,773	-1,826	-1,881	-1,938	-1,995
Costs	137	179	222	267	329	435	447	462	475	489
Net Improvement	-258	-412	-565	-719	-951	-1,338	-1,379	-1,419	-1,463	-1,506
Cumulative Net Improvement	-258	-670	-1,235	-1,954	-2,905	-4,243	-5,622	-7,041	-8,504	-10,010

7.2 The modelling and table above reflect those costs that are directly charged to HCC and do not include property costs that are held centrally under the corporate landlord model. The assumption is that Studio 2 will be available for 2027/28 and will result in improvements in both lettings income and associated catering and additional services income. On the cost side, the uplift reflects variable staffing costs and increases in event activity linked to the additional income. For 2027/28 the net improvement is forecast to be £258k and this will grow year-on-year as HCC attracts further business before it is assumed to mature in year 6 (2032/33) with a net improvement of £1.3m (a cumulative net improvement of £4.2m). This will eliminate the current operating subsidy HCC receives from the council (£1.1m in 2024/25). By year 10 the net improvement grows with inflation to £1.5m (a £10.0m cumulative net improvement). The MTFs to 2028/29, recently approved by Council in February, reflects the savings proposals from Studio 2 (£412k in total) and future savings will be reflected in future budget savings proposals. The modelling set out in the final business case is based on prudent assumptions and there is potentially a further £1m per annum that could be achieved at maturity based on occupancy availability.

7.3 As set out in paragraph 3.2, the estimated project cost reported to Executive in December 2024 was £7.069m, suggesting a payback of just over 8 years. Following further design development and as result of the tender process, the project budget has increased to £9.4m. This has extended the payback to just under 10 years. Though this reflects an extended payback period it still represents an acceptable investment proposal. The report therefore recommends the approval of the final business case and that £9.4m is allocated from the Strategic Capacity Unallocated Reserve to deliver the scheme. As set out in the paragraph above, the revenue savings resulting from this project will support the revenue budget and not be used to repay the capital funding.

7.4 It is anticipated that there will not be significant increases in property costs following the refurbishment of Studio 2 and its resultant increase in occupancy. It has been confirmed that there should be sufficient existing budget held centrally to absorb the increased cost of utilities at the site.

8.0 LEGAL IMPLICATIONS

8.1 The procurement has been undertaken via a compliant mini-competition under the YORbuild 3 Framework in accordance with the Council's Procurement and Contract Procedure Rules and applicable public procurement legislation.

9.0 EQUALITIES IMPLICATIONS

9.1 HCC currently meets the accessibility statutory compliance requirements. However, the HCC management team strives to improve standards to ensure mobility impaired workers and visitors have equitable access to the venue. This can be achieved via a phased approach by accessing grants and exploring funding avenues over time. See Appendix C.

10.0 CLIMATE CHANGE IMPLICATIONS

- 10.1 Investment in HCC will contribute to the council's Climate Change Strategy by helping to ensure that the buildings and events are as energy efficient as possible. The council is committed to reducing its carbon emissions and has an aspiration to achieve net carbon neutrality by 2030, or as near to that date as possible. HCC's MEP systems have received little significant investment over their 40-year life and are generally approaching or already beyond technological obsolescence. Investment over the longer-term will ensure that sustainable energy and low carbon technology is embedded in future redevelopment plans.
- 10.2 The preferred option does not immediately address the Council's broader sustainability objectives, although sustainability improvements would be made on an ongoing basis through the further investment supported by the Business Plan. As such, it is recommended that alongside these works a review is undertaken of the potential sustainability improvements that could be made as "quick wins" alongside the longer-term investment strategy. The review should consider external funding opportunities to help HCC reduce its carbon footprint. See Appendix D.

11.0 PERFORMANCE IMPLICATIONS

- 11.1 Even with HCC's improved sales strategy and the increase in income being achieved as a result, inefficient and failing MEP, lack of breakout spaces and unsatisfactory access continue to hamper the venue's ability to become cost-neutral and grow its economic impact. However, a tactical investment approach over time will address a number of these issues in the longer-term, which will be to significantly enhance the performance of the venue and crucially enable the venue to remain open for business.

12.0 RISK MANAGEMENT IMPLICATIONS

- 12.1 Failure to put in place an effective programme for Harrogate Convention Centre reinvestment/redevelopment would result in inability to maintain the present order book, missed commercial opportunities and inefficiency. Studio 2 development provides a significant opportunity to reduce this overarching risk and generate and exploit commercial opportunities which both reduce, and ultimately eliminate, the operating subsidy and support local businesses and suppliers.
- 12.2 The delivery project benefits from ongoing risk reviews, anticipating and mitigating design risks. On entering construction there will be ongoing risk management and mitigation meetings ensuring the contract is delivering on time and on budget.

13.0 HUMAN RESOURCES IMPLICATIONS

- 13.1 There are no immediate implications for Human Resources in the delivery of Studio 2 and its subsequent operation. When the anticipated business growth is achieved any increase in staffing resource needed to deliver venue sales and operations is allowed for in the costs of delivering additional income and outlined in the Business Case.

14.0 REASONS FOR RECOMMENDATIONS

- 14.1 Investing in Studio 2 will attract larger conferences that require more breakout spaces. Estimated at an overall project value of £9.4m this investment is expected to be repaid through increased income. The Executive is requested to approve the additional expenditure of £2.4m for Studio 2, subject to the Corporate Director Resources being satisfied with the business case for investment and consulting with the relevant Members.

14.2 This investment will help rebuild confidence in the venue, paving the way for future investments and funding. Developing Studio 2 will enhance HCC's economic impact by creating jobs and improving its viability as a financially sustainable venue.

15.0 RECOMMENDATIONS

The Executive is recommended to:

- i. Approve the revised Business Plan for Studio 2.
- ii. Approve the overall funding of £9.4m required for the redevelopment of Studio 2, to be funded from the Strategic Capacity Unallocated Reserve.

Subject to the approval of the above recommendations, it is further recommended that:-

- iii. A construction contract be awarded for the Studio 2 redevelopment as detailed in Appendix A.

APPENDICES:

Appendix A – Project Report
Appendix B – Business Plan
Appendix C – Equalities Impact Assessment
Appendix D – Climate Impact Assessment

BACKGROUND DOCUMENTS:

Executive report – 17th December 2024

[NOT FOR PUBLICATION](#)

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.