

AGENDA ITEM

REPORT TO COUNCIL

27 June 2019

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET / COUNCIL DECISION

Leader of the Council – Councillor Bob Cook

THE GLOBE RESTORATION

SUMMARY

The purpose of this report is to request that Council approve additional resources of £6.5m. The additional funding will be allocated in the MTFP to fund the required costs to complete the final restoration of the Globe.

REASON FOR RECOMMENDATION/DECISION

As restoration works have progressed it has become apparent that the current capital estimate in the MTFP for the project is insufficient to deliver the full scope of the requirements. The recommendation seeks to address the revised capital costs of the project.

RECOMMENDATION

Council

1. Approve additional prudential borrowing of £6.5m to be incorporated into the current MTFP at a cost of £325k per annum.

DETAIL

1. The Globe has played a significant role in Stockton-on-Tees' modern history, hosting world famous artists such as the Beatles, The Rolling Stones, The Bee Gees and Shirley Bassey. In recent years its significance has been rekindled as its restoration reconnects it with huge numbers of local people.
2. The restoration of the Globe, a Grade II art-deco style listed building is an especially complex project. The Council agreed to take the lead on the project in March 2016 (initially through a long-term lease but with the Council having an option to take ownership of both properties in 2031 of the Globe for a fixed price of £200k for the Globe plus a market valuation of 153 High Street). Both the Globe itself and the adjacent building, 153 High Street, were in particularly poor condition and early work focussed on safety and security, cleaning key areas and some early strip-out works. Works were also undertaken to ensure the building was 'water-tight' and to remove all asbestos from the building, these were completed in November 2017.
3. During this time, given the historic nature of the project the Council sought funding from the Heritage Lottery Fund (HLF) who agreed the significance of it and as a result HLF approved a £4.5m contribution to the project.

4. In July 2017 following detailed investigative work, business planning and detailed consultation with the operators, the scope and nature of the project changed. The most viable commercial use for the building was established to be predominantly live music, with some comedy and light entertainment. As a result additional design work increased audience capacity to up to 3,000, firmly positioning the venue as the largest between Leeds and Newcastle and complimenting other offers across Stockton and the Tees Valley. The new design also increased the bar and toilet facilities and provided new demountable seating as well as a dressing room, green room and improved production facilities.
5. In May 2017 Willmott Dixon was appointed as main contractor on the project under the Scape national framework.
6. During 2017 interest in the Globe increased as the HLF funded officer co-ordinated a programme of activity including very popular 'hard hat' tours supported by a number of volunteers. Ambassador Theatre Group (ATG), a world-renowned international theatre operator, also signed Heads of Terms for the operation of the restored venue.
7. In late 2017 the completion of the asbestos removal work allowed for the roof void to be accessed for the first time and in order to accommodate some of the larger stage sets, it was considered necessary to reinforce the roof structure.
8. Work to strip-out the building continued and as this progressed it became clear that, although we knew the building was in poor condition, the extent of this was much worse than could have reasonably been anticipated. Unsupported walls, badly constructed drainage systems and weaknesses in the roof structure were among some of the issues faced. As a result the project had to be redesigned and the estimated cost plan recalculated. Cabinet agreed to allocate additional funding of £2.5m at its meeting in December 2018.
9. By early 2019 essential stabilisation and structural repair works were completed and sufficient first stage works had been completed to enable the progression to the next contractual stage of the project. At this next stage Willmott Dixon were required to submit an Agreed Maximum Price (AMP) to the Council.
10. The AMP provides a competitively tendered total construction cost, with Willmott Dixon engaging with over 100 sub-contractors and specialist sub-contractors who had been provided with access to the final detailed designs and to the site. All individual work packages have been subject to three competitive quotations unless a nominated specialist contract has been engaged and a full Value-Engineering exercise has been undertaken. To validate the competitiveness of the tender process and the overall AMP the prices have been subject to a detailed due-diligence exercise by the Council's independent (external) cost advisers Driver Group.
11. Whilst the AMP is not a fixed or guaranteed price, the approach is that the contractor is required to establish the various costs and identify contingencies on an open book basis that is supported by access to financial and tendering records. Risk can then be fairly apportioned between the contractor and the Council in the contract and whilst compensation events may occur such as extreme weather or even the consequences of a no-deal Brexit, there is a prohibition against the contractor achieving additional profit or central office overheads in consequence.
12. The final AMP is due to be submitted at the end of June 2019, however advanced analysis and challenge of drafts have been completed and it is clear that the costs are £6.5m greater than previously estimated. The project team and external cost advisers have undertaken a full cost review. The increased sum reflects major changes arising from sub-contractors' input into how the agreed designs can be delivered. The need to work around and protect the building's historic features and the essential structural repair works undertaken earlier this year has added costs to the heating, ventilation, air conditioning, power, lifts and plumbing installations. There are also increased costs relating to how the agreed designs for the foundations, steel work and roof structure are constructed. Other cost increases have arisen due to difficulties accessing the

Globe's auditorium, which poses complex logistical challenges. In many cases this will require plant, machinery and equipment to be dismantled, craned into the auditorium, and then reassembled before use. The additional work needed will push back the opening of the venue from Spring 2020 to late 2020.

13. The independent review of the final submissions has now been completed which has identified the project cost to have increased requiring a Council investment of £22.25m in addition to the HLF funding of £4.5m. This represents an additional cost of £6.5m, this does include some contingency for the remainder of the contract and is predicated upon a completion being achieved in late 2020. Whilst the final costs are clearly significantly higher than first estimated, with the support of external cost consultants, they represent a robust financial appraisal of the cost to complete the project.
14. Members will want to be assured that the variances between the original estimates and the AMP were unforeseeable and have not arisen as a consequence of weaknesses in cost planning or the monitoring of capital projects. A review is currently underway to ensure that all lessons are learned.
15. If the additional funding were not allocated to complete the scheme the benefit of the restoration of the Globe as one of the most important investments, helping to redevelop Stockton Town Centre would be lost along with the potential to bring up to 200,000 visitors a year. The economic impact assessment suggests that, once fully operational, the Globe will bring £18m per annum to the local economy, along with 256 additional jobs both direct and indirect. It will be the largest capacity venue between Leeds and Newcastle and the Ambassador Theatre Group continue to be excited by and committed to the project. It is considered that these benefits continue to provide a firm basis for completion of the project as now costed and planned. In addition, we would have abortive costs and costs to reinstate the building and we would lose Heritage Lottery Funds of £4.5m and be left with a derelict building on a key site on the High Street.
16. Members will be aware that the Council approved borrowing of £30m in December 2019 for town centres and has funding at £30m earmarked in the TVCA Investment Plan. Whilst this funding could be used to support those costs, it would limit future investment opportunities in all our town centres. It is therefore proposed that Council is asked to approve additional borrowing of £6.5m at a cost of £325k per annum and this be incorporated in future updates of the Medium Term Financial Plan.

COMMUNITY IMPACT IMPLICATIONS

17. There are no specific community impact implications, the recommendations are not considered to have a disproportionate effect on any community or groups.

CORPORATE PARENTING IMPLICATIONS

18. Not applicable

FINANCIAL IMPLICATIONS

19. Additional borrowing of £6.5m is required at a cost of £325k per year.

LEGAL IMPLICATIONS

20. Section 145 of the Local Government Act 1972 provides an express power for the Council to provide, improve or fund theatres and other places of entertainment and investment in economic development and infrastructure works to improve the borough can be made pursuant to the general power of competence contained in Section 1 of the Localism Act 2011.

RISK ASSESSMENT

21. The Globe project has an overall risk register which is reviewed by the project steering group. The risk register relating to the physical restoration work has been reviewed by Driver Group as part of the due diligence work.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

22. Ward Members are aware of the project and have been provided with briefings and updates during the development period.

BACKGROUND PAPERS

23. Stockton Town Centre Cabinet reports - June 2012, January 2013, and February 2014
Globe Cabinet report - June 2014
MTFP Cabinet report – February 2016
Globe Cabinet report – March 2016
MTFP Cabinet report – February 2017
Economic Impact Assessment – June 2017
Globe Cabinet report – July 2017
MTFP Cabinet report – February 2018
MTFP Cabinet report – February 2019
Drivers Group Due Diligence report – June 2019

Name of Contact Officer: Julie Danks

Post Title: Interim Managing Director

Telephone No. 01642 527007

Email Address: Julie.danks@stockton.gov.uk