

# Council

A meeting of Council was held on Thursday, 27th June, 2019.

**Present:** Cllr Helen Atkinson, Cllr Chris Barlow, Cllr Jim Beall, Cllr Pauline Beall, Cllr Jacqueline Bright, Cllr Julia Cherrett, Cllr Carol Clark, Cllr Robert Cook, Cllr Nigel Cooke, Cllr Evaline Cunningham, Cllr Lisa Evans, Cllr Luke Frost, Cllr Clare Gamble, Cllr Ray Godwin, Cllr Lynn Hall, Cllr Tony Hampton, Cllr Stefan Houghton, Cllr Barbara Inman, Cllr Mohammed Javed, Cllr Paul Kirton, Cllr Tina Large, Cllr Mrs Ann McCoy, Cllr David Minchella, Cllr Mick Moore, Cllr Steve Nelson, Cllr Mrs Jean O'Donnell, Cllr Maurice Perry, Cllr Lauriane Povey, Cllr Stephen Richardson, Cllr Tony Riordan, Cllr Andrew Sherris, Cllr Michael Smith, Cllr Andrew Stephenson, Cllr Norma Stephenson O.B.E, Cllr Mick Stoker, Cllr Ted Strike, Cllr Hilary Vickers, Cllr Matthew Vickers, Cllr Steve Walmsley, Cllr Mrs Sylvia Walmsley, Cllr Alan Watson, Cllr Sally Ann Watson, Cllr Paul Weston, Cllr Julia Whitehill, Cllr Bill Woodhead MBE and Cllr Barry Woodhouse.

**Officers:** Julie Danks (Interim Managing Director) Beccy Brown, Ged Morton (HR, L&C), Gary Laybourne (E,G&D), Ann Workman (AH); Reuben Kench (CL&E).

**Also in attendance:** Members of the Public.

**Apologies:** Cllr Louise Baldock, Cllr Chris Clough, Cllr Ian Dalgarno, Cllr John Gardner, Cllr Eileen Johnson, Cllr Marilyn Surtees and Cllr Laura Tunney.

## **C**      **Welcome and Evacuation Procedure** **26/19**

The Worshipful the Mayor welcomed everyone to the meeting and the evacuation procedure was noted.

The Worshipful the Mayor thanked all the Members who had attended the Flag Raising Ceremony and Armed Forces Day on Stockton High Street celebrating the contribution the Navy, RAF and the British Army make in keeping the country safe.

## **C**      **Declarations of Interest** **27/19**

There were no declarations of interest.

## **C**      **The Globe Restoration** **28/19**

Prior to consideration of the report Members received a presentation from the Interim Managing Director. The presentation covered the following key areas:-

- Key Project Objective
- Economic Impact
- Evolution of the Project
- Driver Group Due Diligence
- Current Position

It was agreed that all Members of the Council would receive a copy of the presentation.

The Leader of the Council, Councillor Bob Cook and the Cabinet Member for Regeneration and Housing, Councillor Nigel Cooke introduced the report. Councillor Nigel Cooke gave further detail of the report.

The report requested additional resources of £6.5m. The additional funding

would be allocated in the MTFP to fund the required costs to complete the final restoration of the Globe.

The Globe had 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 had been rekindled as its restoration reconnects it with huge numbers of local people.

The restoration of the Globe, a Grade II art-deco style listed building was 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.

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.

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.

In May 2017 Willmott Dixon was appointed as main contractor on the project under the Scape national framework.

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.

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.

Work to strip-out the building continued and as this progressed it became clear that, although the Council 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.

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.

The AMP provided 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 had been subject to three competitive quotations unless a nominated specialist contract had been engaged and a full Value-Engineering exercise had been undertaken. To validate the competitiveness of the tender process and the overall AMP the prices had been subject to a detailed due-diligence exercise by the Council's independent (external) cost advisers Driver Group.

Whilst the AMP was not a fixed or guaranteed price, the approach was that the contractor was required to establish the various costs and identify contingencies on an open book basis that was supported by access to financial and tendering records. Risk could 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 was a prohibition against the contractor achieving additional profit or central office overheads in consequence.

The final AMP would be submitted at the end of June 2019, however advanced analysis and challenge of drafts had been completed and it was clear that the costs were £6.5m greater than previously estimated. The project team and external cost advisers had undertaken a full cost review. The increased sum reflected major changes arising from sub-contractors' input into how the agreed designs could be delivered. The need to work around and protect the building's historic features and the essential structural repair works undertaken earlier this year had added costs to the heating, ventilation, air conditioning, power, lifts and plumbing installations. There were also increased costs relating to how the agreed designs for the foundations, steel work and roof structure were constructed. Other cost increases had arisen due to difficulties accessing the Globe's auditorium, which posed complex logistical challenges. In many cases this would require plant, machinery and equipment to be dismantled, craned into the auditorium, and then reassembled before use. The additional work needed would push back the opening of the venue from Spring 2020 to late 2020.

The independent review of the final submissions had been completed which had identified the project cost to have increased requiring a Council investment of £22.25m in addition to the HLF funding of £4.5m. This represented an additional cost of £6.5m, this included some contingency for the remainder of the contract and was predicated upon a completion being achieved in late 2020. Whilst the final costs were clearly significantly higher than first estimated, with the support of external cost consultants, they represented a robust financial appraisal of the cost to complete the project.

The variances between the original estimates and the AMP were unforeseeable and had not arisen as a consequence of weaknesses in cost planning or the

monitoring of capital projects. A review was underway to ensure that all lessons were learned.

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 year to the local economy, along with 256 additional jobs both direct and indirect. It would be the largest capacity venue between Leeds and Newcastle and the Ambassador Theatre Group continued to be excited by and committed to the project. It was considered that these benefits continued to provide a firm basis for completion of the project as now costed and planned. In addition, the Council had abortive costs and costs to reinstate the building and the Council would lose Heritage Lottery Funds of £4.5m and be left with a derelict building on a key site on the High Street.

The Council approved borrowing of £30m in December 2019 for town centres and had 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 the town centres. It was therefore proposed that Council be 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.

Moved by Councillor Bob Cook, seconded by Councillor Nigel Cooke:-

That additional prudential borrowing of £6.5m be approved and be incorporated into the current MTFP at a cost of £325k per annum.

At this point Members were given the opportunity to ask questions, make comments or move amendments on the motion. Members comments and questions could be summarised as follows:-

- The Globe was now a liability and not an asset.
- The Council's own consultants had already advised that the project could be full of unexpected surprises so why had the Council started the project in the first place.
- The building is owned by Jomast and they had only spent money on the building to stabilise it.
- The profits of Wilmot Dixon had gone up as a result of The Globe project.
- Jomast will make a large profit from The Globe project.
- ATG who will be running The Globe are a front company for the parent company who are £400 million in debt.
- There is no business plan for The Globe.
- By the time that the Council go back to Jomast to buy the building it will be £30 million in debt because of compound interest.
- Members should not be asked to vote on a 4 page document asking for such a large amount of money.
- Can the Cabinet give Members assurances that this will be the last time that they will ask for resources to bank roll private developments?
- What will be the total cost of this project with interest?
- Residents are angry about the cost of the project and the amount of money that has been spent on Stockton High Street.

- If Members vote against the recommendation a huge sum of money will be written off.
- The enquiry into what has gone wrong should be done now before the additional money is agreed.
- 153 High Street was bought by the property developer in November 2017. The Council will refurbish the building and then lease the building from the property developer. There will then be a buy option at the market value which will be huge if The Globe is a success. How does this deal make any sense? Why didn't the Council directly buy 153 High Street?
- What is the relationship between the Council and ATG?
- What are the potential profits from The Globe itself?
- Where is the £6.5 million (£325k per annum) going to be paid from?
- Stockton Council has agreed debt of £56 million in recent years which is irresponsible.
- Could the Council ask for more Heritage Lottery Funding as the costs have gone up?
- We have gone past the place of no return with this project but this should be scrutinised before it is agreed.
- The Council should know exactly how much the project is going to cost.
- How much of the £20 million has been spent to date?
- Who sealed the entrance that was planned to be used for plant and machinery?
- We can't keep throwing tax payers money at The Globe and it should not have a blank cheque to finish the project.
- We should wait to make the decision until after the report into what has happened is finished?
- Other options have not been considered by the Council and therefore the decision should be deferred.
- The project has not been audited and other contractors have not been considered.
- Legal advice has not been sourced to look at the liability of contractors for the project.

Councillor Bob Cook and Councillor Nigel Cooke responded to the questions and comments. These responses could be summarised as follows:-

- The Globe is an asset and adds value to the Borough. Businesses in the Borough will benefit from The Globe.
- There is an option in the lease to buy The Globe, this allowed the Council to take control on the project and unlock the Heritage Lottery Funding.
- ATG are a leader in running top venues and a world renowned ticket office.
- The original scheme was a refurbishment and not a full restoration and will now be a leader in its field.
- We took control of this project and we are determined to see it through.
- The building is privately owned but the Council has a 40 year lease with options to buy in 2031.
- Cabinet is hopeful that this is the last time that it will have to ask for funding but unforeseen circumstances could still happen.
- The total cost of the project is £26 million and the lease is £70k per year.
- The project has been ongoing for a number of years and it will happen.
- Not using the £30 million that has already been agreed will allow the Council to invest further in town centres.

- 153 High Street was bought many years before 2017. If it had been for sale the Council would have looked to buy the property.
- ATG are the operators for The Globe over a 25 year period. In previous budget reports it was agreed that there would be an annual investment in £400k in 2019/20 and this would reduce £300k in 2021/22 that would be made for audience development and attraction as major artist are agreed. As time goes by there is hope that there will be a profit share.
- The Heritage Lottery Funding is not pro-rata.
- If the project is stopped the cost of the project could increase substantially and the Council could be in a worse financial position and the Council may have to pay back the Heritage Lottery Funding.

Moved by Councillor Matthew Vickers, seconded by Councillor Luke Frost that the decision be deferred and the matter be referred to Executive Scrutiny Committee to make a report or recommendations to Council and to request the Council's external audit to evaluate.

At this point Members were given the opportunity to ask questions, make comments on the above amendment. Members comments and questions could be summarised as follows:-

- The entrance was never sealed, it is a subterranean building. Much of the buildings was underwater and the extra works that are needed could have never been envisaged. This is the point where the logistical challenge became apparent. The Globe will not be competing with arena venues and will be well placed to compete in the market.
- If the project gets delayed the cost will increase further and the Council will still have to deliver the project.
- Residents will be more unhappy with the Council if the project stops and is not completed.
- There is an eagerness in the Borough to see the project through and people will feel badly let down if the Council leaves The Globe as a derelict building.
- The amendment doesn't suggest not to finishing the project but it is suggesting a full scrutiny of the situation take place.
- Cabinet knew before the last elections that the extra money was needed and this information was deliberately held back.
- The Driver Group report was produced on 4 June 2019.
- The amendment is sensible and reasonable and Members have the right to scrutinise the situation.
- Only about £5 million of the £20 million has been spent?

In accordance with Council Procedure Rule 3.65 Councillor Matthew Vickers requested that a recorded vote be taken; which was supported by at least a quarter of the members present:-

Members in favour of the amendment:-

Councillors Helen Atkinson, Jacqueline Bright, Julia Cherrett, Luke Frost, Ray Godwin, Lynn Hall, Tony Hampton, Stefan Houghton, Tina Large, David Minchella, Mick Moore, Stephen Richardson, Tony Riordan, Andrew Stephenson, Ted Strike, Hilary Vickers, Matthew Vickers, Steve Walmsley, Sylvia Walmsley, Alan Watson, Sally Ann Watson, Julia Whitehill.

Members against the amendment:-

Councillors Chris Barlow, Jim Beall, Pauline Beall, Carol Clark, Bob Cook, Nigel Cooke, Evaline Cunningham, Lisa Evans, Clare Gamble, Barbara Inman, Mohammed Javed, Paul Kirton, Ann McCoy, Steve Nelson, Jean O'Donnell, Maurice Perry, Lauriane Povey, Andrew Sherris, Mike Smith, Norma Stephenson, Mick Stoker, Paul Weston, Bill Woodhead OBE, Barry Woodhouse.

The amendment was not carried.

Moved by Councillor Ted Strike, seconded by Councillor Matthew Vickers that Council approves the use of the prudential borrowing from within the £30 million that has already been agreed by Council in December 2018 for town centre development and that the cost be incorporated into the current MTFP at a cost £325k per annum.

At this point Members were given the opportunity to ask questions, make comments on the above amendment. Members comments and questions could be summarised as follows:-

- It would be a mistake to take money out of the £30 million as that money is earmarked for other projects in the Borough town centres.
- It is wrong that only a limited few know where the £30 million will be spent.
- Reports will be brought back to Cabinet and Council outlining where the £30 million will be spent.

The amendment was not carried.

At this point Members were given the opportunity to ask questions, make comments on the substantive motion. Members comments and questions could be summarised as follows:-

- Who will be carrying out the review to ensure that all lessons have been learned from variances in costs from the original estimates and the AMP and how will this be communicated to Members and the residents of the Borough?
- 153 High Street will be intrinsic to the Globe when the project is finished and therefore the market value will have gone through the roof, who agreed that the Council would pay market value on that building and why wasn't it included in the same buy back as The Globe?
- The annual rent of £70k will be taken from the capital project budget this suggests that the amount of £70k is only for restoration, what is the rental figure after the restoration has been completed?
- Is the £1 million for capital investment for the technical fit-out part of the AMP? Or is it an additional £1 million?
- When will the reviews report back?
- Can the Cabinet Members re-assure local residents that Council services won't be cut to pay for the loan?

Councillor Bob Cook and Councillor Nigel Cooke responded to the questions and comments. These responses could be summarised as follows:-

- 153 High Street wasn't part of the original scheme. It is intrinsic to the project. The Council in 2031 will have to take the decision whether or not to buy back 153 High Street.
- Internal Audit and the Procurement Team will carry out the review and this will come back to Cabinet and Council.
- The £1million capital costs for technical fit out was agreed in the MTFP in February/March 2018 so that the ATG could support a bigger and broader range of entertainment. It is separate to the AMP.
- The annual cost of the lease for both the Globe and 153 High Street is £70k throughout the term of the lease not just the restoration period.
- Audit will take the lead and they will need the expertise of the Procurement Team. Members will be informed as soon as possible of the timescales.
- The MTFP will be looked at in coming months.

In accordance with Council Procedure Rule 3.65 Councillor Nigel Cooke requested that a recorded vote be taken; which was supported by at least a quarter of the members present:-

Members for the substantive motion:-

Councillors Helen Atkinson, Chris Barlow, Jim Beall, Pauline Beall, Carol Clark, Bob Cook, Nigel Cooke, Evaline Cunningham, Lisa Evans, Clare Gamble, Barbara Inman, Mohammed Javed, Paul Kirton, Ann McCoy, Steve Nelson, Jean O'Donnell, Maurice Perry, Lauriane Povey, Andrew Sherris, Mike Smith, Norma Stephenson, Mick Stoker, Paul Weston, Bill Woodhead OBE, Barry Woodhouse.

Members against the substantive motion:-

Councillors Jacqueline Bright, Julia Cherrett, Luke Frost, Ray Godwin, Lynn Hall, Tony Hampton, Stefan Houghton, Tina large, David Minchella, Mick Moore, Stephen Richardson, Tony Riordan, Andrew Stephenson, Ted Strike, Hilary Vickers, Matthew Vickers, Steve Walmsley, Sylvia Walmsley, Alan Watson, Sally Ann Watson, Julia Whitehill.

The substantive motion was agreed.

RESOLVED that additional prudential borrowing of £6.5m be approved and be incorporated into the current MTFP at a cost of £325k per annum.