

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting27th June 2019

1. Title of Item/Report

The Globe Restoration

2. Record of the Decision

Consideration was given to a report on The Globe restoration.

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.

RESOLVED that subject to funding being made available by Council, the allocation of £6.5m be agreed to progress completion of the Globe restoration project to enable completion by late 2020 and recommend to Council that additional prudential borrowing of £6.5m be approved at a cost of £325k per annum.

3. Reasons for the Decision

As restoration works have progressed it has become apparent that the current capital estimate for the project is insufficient to deliver the full scope of the requirements. The recommendations seek to address the revised capital costs of the project through additional funding.

4. Alternative Options Considered and Rejected

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building on a key site on the High Street.

5. Declared (Cabinet Member) Conflicts of Interest

None.

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

Midnight, 5 July 2019.

Proper Officer
01 July 2019