

TORBAY COUNCIL

Report No: **89/2005**

Title: **Palace Theatre Refurbishment Proposal**

To: Executive on 26th April 2005

1. Purpose

- 1.1 The report details the revised refurbishment proposals and long term business plan for the Palace Theatre following the consultation with the Heritage Lottery Fund which resulted in the decision to withdraw from the Heritage Lottery Application process. The revised project proposal meets the key priorities of the theatre scheme and can be funded with budgets already allocated in principal by the council.

2. Relationship to Corporate Priorities

- 2.1 Valuing our Environment
Developing Torbay's Culture
Placing learning at the heart of our community
Improving Torbay's Economy

3. Recommendation(s)

- 3.1 That the recommendations of the Heritage Working Party in respect of the revised Palace Theatre refurbishment proposal (as set out in this report) be approved.
- 3.2 That the Capital and Revenue funding committed by the Council on 26th February 2004 Report ref: WP/4/04 be allocated for this revised Palace Theatre refurbishment proposal.
- 3.3 That Palace Theatre refurbishment programme commence in February 2006.

4. Reason for Recommendation(s)

- 4.1 On the 26th February 2004 (report ref: WP/4/04) the Council agreed Capital and Revenue funding arising from the proposed project in respect of the Heritage Lottery Fund (HLF) application. Following the agreement to withdraw the HLF bid the Heritage Working Party requested that a smaller scheme be developed, reflecting the remaining available funding, which would focus on the key priorities for the theatre operation.
- 4.2 The recommendations identified in 7.2 of this report and the allocated funding is the best option for improving the sustainability of the theatre and to ensure that it complies with Disability Discrimination Act.

5. Key Risks associated with the Recommendation(s)

- 5.1 The main risks are identified as follows:
- Project costs – Tenders exceeding budget. Getting a Quantity Surveyor to prepare the estimates contained in this report has mitigated this.
 - VAT partial exemption limit – the council's limit may be exceeded, although with the reduction in scope of the scheme this element will be more manageable. If this is found to be the case then the project may need to be programmed across two financial years.
 - Revenue funding – income from admissions and the extended bar facilities are below expectations. The income figures are realistic to ensure that there is scope to meet the targets with the revised level of programme planned.

Likelihood	6	6	12	18	24
	5	5	10	15	20
	4	4	8	12	16
	3	3	6	9	X12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		Impact			

Low risk
 Intermediate risk
 High risk

The "x" in the above matrix denotes where the author has assessed the level of final risk to fall

6. **Alternative Options (if any)**

6.1 ***Not to proceed with the Palace Theatre Refurbishment Project :***

Failure to undertake the Palace Theatre Refurbishment Project could impact on the venues long term sustainability. It is likely that some major works would need to take place in the short term to ensure the theatre meets Disability Discrimination Act regulations.

6.2 ***To only undertake emergency repairs to the exterior of the building, electrical and fire alarm systems and to improved access to ensure compliance with the Disability Discrimination Act:***

The works could be undertaken for £215,000, which would only require the council to commit a further £15,000 to meet the costs on top of the ring fenced £200,000 contribution linked to the Festival Theatre lease. This would however have implications for the long term sustainability of the venue and risk increase of revenue funding required should income drop as a result of increased customer expectation.

7. **Background**

7.1 **Previous Proposals:**

7.1.1 Members have previously identified capital and revenue funding in support of a larger £2.6m scheme for the Palace Theatre, which was planned to be submitted to the Heritage Lottery Fund for a substantial grant award. The bid was submitted in June 2004 to the South West HLF office and the council was subsequently advised that only certain elements of the bid met their current criteria and that the bid should be withdrawn before going to the panel for approval.

7.1.2 The detailed breakdown supplied by the Heritage Lottery Fund showed that they were unable under their current criteria to contribute to any of the elements dedicated to the theatre's operation. As this made up the bulk of the costs it was clear that there would be limited scope for this project to attract substantial grant aid from this fund.

7.1.3 Following a meeting in December 2004 between the Heritage Lottery Fund, Arts Council, English Heritage and the Heritage Working party it was agreed that alternative schemes, which could be afforded within existing available resources be explored. The brief for this revised proposal would be to address the key priority improvements required to meet the long term sustainability of the building and theatre operation. English Heritage confirmed at this meeting that the £80,000 contribution from the Winner Street HERS funding would still be available specifically for building repairs and improvements, but this must be committed by the end of 2005/6.

7.2 The Revised Proposals: Capital Scheme

- 7.2.1 A number of options were explored including part alternative commercial use of the Palace Theatre. The investigation showed that any theme club or public house in the badminton hall would cost considerable investment to the commercial operator to convert and any rental income could be minimal.
- 7.2.2 The Environment Services Directorate were asked to develop a new smaller scheme based on priorities identified by the Friends of Palace Theatre and Property Services. The specification identified the following priorities:
- The contents of the Condition Survey Report, which reflected the total extent of works, required to keep the building in good condition.
 - To ensure the building can be kept open for a reasonable cost, and provide an increased level of comfort and accessibility to the users of the theatre. The seating, audience sight lines, the heating and ventilation, disabled access to all parts of the building and repairs to the exterior including the roof were identified as high priorities.
- 7.2.3 The recommended scheme below is the preferred option identified in the Technical Report prepared by the Environment Directorate (attached in Appendix 1). This report identified the works phased over three years. This is not considered to be viable as this would mean the theatre programme being interrupted on three occasions. It is therefore recommended that all the works be carried out in one close down period.
- 7.2.4 The total cost of the project net of VAT matches the funding of £936,800 available and is based on the assumption that the major works take place between February 2006 and March 2007.
- 7.2.5 The chart below identifies the options recommended and identified in the Technical Report (Appendix 1). The figures are based on 'Cost Index of October 2004, uprated for inflation to October 2006 with allowances for statutory fees for planning and building regulations where applicable, and professional fees at 12%. There is provision for a minimum contingency of 10% for unforeseen works arising from the project delivery. The costs do not take account of any redecoration cost which needs to be factored in to the project following a detailed specification being drawn up. The costs do not include additional costs of relocating the existing public toilets, which have to be used for the new box office under the recommended proposal.

Description of Works	Priority	Cost at Oct 2006 £,000	Reason for Choice
Scheme 4 – Convert public toilet block into booking office with a platform lift through to auditorium	High	87.5	Out of the four options proposed this is the only solution, which allows disabled people to access the box office and the auditorium.
Fire detection system as recommended by the fire safety inspection	High	32.1	This is essential to the continuation of the theatre's Entertainment Licence.
Building repairs – internal and external including basic redecoration of the auditorium and roof replacement	High to Medium	280.4	Some elements of this work is urgently required, other items relating to other works being undertaken such as a floor replacement in auditorium.
Provide fixed tiered seating	High	129.6	A retractable system would reduce the capacity to 330, which is not sustainable. This will reduce the seating capacity to 370, but give greater comfort and good viewing from all part of the auditorium.

Description of Works	Priority	Cost at Oct 2006 £,000	Reason for Choice
Increase bar area behind tiered seating	High	55.6	This will generate greater bar income and ensure the audience gets served during the interval.
Extend bar/refreshment area to site of old Box Office	Medium	12.4	
Provide additional fire exit at rear of theatre and provide adjacent disabled parking spaces	Medium	50.1	This will have to be included if the old Box Office is to be utilised as a refreshment area.
Upgrade boiler and provide zoned heating system to main auditorium and new Box Office	High	41.9	The heating needs to be zoned, as it is very inefficient currently. This will reduce heating costs and save energy. With the Box Office being located in a separate building the heating only needs to be used when the theatre is operational.
Upgrade heating in the Badminton Hall	Medium	12.3	This would save money on isolating the badminton hall from the main heating system and allow it to be controlled separately.
Controlled natural ventilation system	High	30.9	A forced ventilation system was ruled out due to cost and the possible noise associated with the plant.
Upgrade to ladies toilet (basement)	Medium	55.6	The toilets will require upgrading to ensure the visitor experience is enhanced.
Enhancements to the badminton hall to enable 120 seats and performance/stage area	Medium	50.0	The badminton hall is an integral part of the business plan and to achieve maximum income this must be operational.
Contingency of at least 10%		98.4	
Total		936.8	

7.3 Capital Funding Proposals:

7.3.1 The project can be funded without grant aid from the Heritage Lottery Fund, with the current budgets held within the Capital Plan Budget.

7.3.2 On the 16th February 2005, following the withdrawal of the Heritage Lottery Fund (HLF) bid, Overview and Scrutiny in the monitoring report (report 17/2005), noted the budget identified against the Palace Theatre Restoration Project would need to be reduced. This takes into account the reduction in the capital contribution due to the limited likelihood of success of a HLF grant for this project. The current budget available for the project is as follows:

Potential Funding Source	£ 000	Comments
Capital Budget – Festival Theatre contribution	200.0	This money is held in reserve ring fenced for the Palace Theatre
Capital Budget - approved allocation of Council resources per Report WP/4/04	550.0	This amount has been identified in the current approved Capital Plan Budget
English Heritage Grant	80.0	This has to be apportioned to the external building works associated with the project
Friends of Palace Theatre	75.0	This has been agreed by the Friends of Palace Theatre as they can access funds from charitable trusts which the council cannot source

Potential Funding Source	£ 000	Comments
Contribution from revenue savings while theatre is closed	31.8	There will be some savings during the closure of the Palace Theatre and has been identified in the Business Plan.
Total Funding available	936.8	

7.4 Revenue Implications:

- 7.4.1 The revenue implications for the revised Palace Theatre Refurbishment Proposal are unchanged from the original project. The increase in expenditure and loss of income due to the refurbishment timetable provides some savings. Although marketing and box office staff will need to be re-employed six month prior to re-opening to promote and sell the new theatre programme. The projection below shows an increase in revenue funding will be required following reopening which are based on the current net budget of £277,300, which includes all central support costs. In years 2005/6 and 2006/7 any savings will be contributed to the capital project (£31,800). The figures below represent additional costs which need to be added to the original £277,300 budget:

2005/6 – 0	2008/9 – 64,100	2011/12 - 25,100
2006/7 - 0	2009/10 - 39,700	2012/13 - 9,900
2007/8 – 60,200	20010/11 - 38,400	

- 7.4.2 The current level of subsidy for the Palace Theatre is well below comparative authorities. A recent comparison survey undertaken by Hartlepool Council of small to medium sized venues showed the average subsidy from councils' was £321,800 per annum. This is based on a similar turnover expected at the Palace Theatre following it's refurbishment.
- 7.4.3 The current staffing at the Palace Theatre is predominately serviced by casual hours and the increase in costs post-refurbishment will include providing contracted staff in the key roles. The marketing budget has also been increased to reflect the increase in income and the addition of the black box studio facility.
- 7.4.4 The maintenance budget provides for a renewal fund to ensure long term sustainability of the fabric of the building.
- 7.4.5 Investigations into Trust and management agreements with external providers need to be carried out.

7.5 VAT Implications :

- 7.5.1 There is considerable amount of income at the theatre, which is exempt from VAT. The Council can recover VAT on expenditure incurred on buildings where there is a substantial amount of exempt income only, if the total exempt VAT the Council incurs is less than 5% of the Council's total VAT. With the reduction in scope of the scheme the effect of this will be more manageable and spreading the works over two financial years will reduce the risk that the Partial Exemption limit will be breached. Consideration needs to be given to works that can be completed whilst the venue is operational. Any further delay to the start of the project would jeopardise the £80,000 contribution for English Heritage, as this is a time limited grant.

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IMPLICATIONS, CONSULTATION AND OTHER INFORMATION

Part 1

These sections may have been completed by the Report author but must have been agreed by the named officers in the Legal, Finance, Human Resources and Property Divisions.

Does the proposal have implications for the following issues? If "Yes" - give details. <i>delete as appropriate</i>		Name of responsible officer
Legal	Yes – the Council will enter into formal contracts for the proposed works.	Bill Norman
Financial – Revenue	Yes – as detailed in the Report	Sue Kane
Financial – Capital Plan	Yes – as detailed in the Report	Lynette Royce
Human resources	No	
Property	Yes – Procurement and project management will be provided by the facilities support services team.	Steve Parrock

Part 2

The author of the report must complete these sections.

Could this proposal realistically be achieved in a manner that would more effectively: <i>delete as appropriate</i>		
(i)	promote environmental sustainability?	No
(ii)	reduce crime and disorder?	No
(iii)	promote good community relations?	No
(iv)	promote equality of opportunity on grounds of race, gender, disability, age, sexual orientation, religion or belief?	No
(v)	reduce (or eliminate) unlawful discrimination (including indirect discrimination)?	No

If the answer to any of the above questions is "Yes" the author must have addressed the relevant issue/s in the main report and have included a full justification and, where appropriate, an impact assessment.

Part 3

The author of the report must complete this section.

	<i>delete as appropriate</i>	If "Yes", give details
Does the proposal have implications for any other Directorates?	Yes	Assistance from Property and Procurement Services will be required to deliver this project.

Part 4

Is this proposal in accordance with (i.e. not contrary to) the Council's budget or its Policy Framework?	<i>delete as appropriate</i>
	Yes
1.	If "No" - give details of the nature and extent of consultation with stakeholders and the relevant overview and scrutiny body.
2.	If "Yes" - details and outcome of consultation, if appropriate. Extensive consultation has taken place concerning the refurbishment project. Consultation with the Friends of Palace Theatre and the Heritage Working Party has taken place relating to the revised scheme.

Part 5

Is the proposal a Key Decision in relation to an Executive function? (i.e. would generate expenditure or savings in excess of £100,000 or 20% of an approved budget OR affect more than 2,000 residents of the Borough.)	<i>delete as appropriate</i>	If "Yes" - give Reference Number
	Yes	

Part 6

Wards

Clifton with Maidenway, Preston and Roundham with Hyde

Appendices

Appendix 1 Technical Report - £ Year Prioritised Maintenance Report for Palace Theatre, Paignton.

Background Papers:

The following documents/files were used to compile this report:

Report WP/4/04 – Palace Theatre Restoration Project
 Palace Theatre Business Plan (submitted to Heritage Lottery Fund).