
PURCHASE OF 9 BOROUGH ROAD FORMER FIRE STATION

**Responsible Cabinet Member - Councillor Nick Wallis,
Leisure and Local Environment Portfolio**

**Responsible Director - Paul Wildsmith,
Director of Neighbourhood Services and Resources**

SUMMARY REPORT

Purpose of the Report

1. To update Members on The Arts Council England (ACE) Partnership bid with Theatre Hullabaloo to provide a children's theatre and request authority to purchase 9 Borough Road former Fire Station.

Summary

2. Cabinet have received a number of reports in recent years with regard to re-provision of a children's theatre following the closure of the former Arts Centre. Cabinet at the meeting on 3 December 2013 resolved:
 - (a) To support an application to the third round of ACE large scale capital programme to develop a small flagship theatre focused on performing arts for children and young people but which is also available for other arts activities and the wider community.
 - (b) To note the purchase of an 'option' agreement to enable the acquisition of a site adjacent to the Civic Theatre 9 Borough Road for the new venue and agreed to proceed to purchase should the ACE application be successful.
3. In addition, at Cabinet on 29 April 2014 Members also agreed to underwrite the allocation of £0.660M match funding for a children's theatre. It is anticipated this match funding will come from the sale of the former Arts Centre. Although the risk of not achieving this funding is minimal, due to the value it requires Council approval.
4. The Stage 1 application to ACE for a children's theatre to be known as Hullaballoon was successful and work is now underway on developing the Stage 2 application.

Recommendation

5. It is recommended that :-
- (a) Subject to approval of funding by Council on 25 September 2014.
 - (b) Subject to the approval above the Director of Economic Growth is authorised to purchase 9 Borough Road for £425,000 less £10,000 already paid for an option to purchase. Payment to be phased as detailed in paragraph 16.
 - (c) The Director of Economic Growth Group be authorised to enter into an appropriate lease or licence with Theatre Hullabaloo to formalise their occupation of the proposed new children's theatre on the terms set out in this report.
 - (d) The Borough Solicitor be authorised to document and complete the acquisition and lease/licence to Theatre Hullabaloo.

Reasons

6. The recommendations are supported:-
- (a) To enable the Children's Theatre Hullabaloon to be delivered subject to a successful ACE Stage 2 application.
 - (b) To enable Theatre Hullabaloo to occupy the new building under a lease/licence.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

No background papers were used in the preparation of this report.

IT : Extension 6628
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| S17 Crime and Disorder | There are no specific Crime and Disorder implications. |
| Health and Well Being | There are no specific implications on Health and Well Being. |
| Carbon Impact | The carbon impact of any proposed development of the site will be subject to approval through the planning process. |
| Diversity | The proposal will be of particular benefit for the engagement of children and young people in performing arts in line with one of the priorities within Creative Darlington vision. |

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| Wards Affected | The proposed development is in Central Ward. |
| Groups Affected | All Groups are affected equally. |
| Budget and Policy Framework | The decision to underwrite £0.660m potentially impacts on the Budget Framework if the proceeds from the sale of the Arts Centre are not achieved and therefore required Council approval. |
| Key Decision | This is not a key decision. |
| Urgent Decision | This is not an urgent decision. |
| One Darlington: Perfectly Placed | Facilitating the cultural life of Darlington is an important aspect of creating the conditions for investment envisaged in the 'Perfectly Placed' priority. |
| Efficiency | The building will be designed to be as efficient as possible and where appropriate integrated into the Civic Theatre infrastructure. |

MAIN REPORT

Information and Analysis

7. Members have considered a number of reports in recent years with regard to the re-provision of a children's theatre since closure of the former Arts Centre. A number of bids have previously been submitted to ACE by the Council and by a private sector operator for re-provision of an arts facility which would also include a children's theatre.
8. These bids were unsuccessful however Officers continued to work with Hullabaloo and ACE to try and secure a future for children's theatre within Darlington that would be nationally significant and a centre of excellence for theatre for young audiences.
9. Theatre Hullabaloo in partnership with the Council submitted a bid to the latest ACE round for capital funding for a children's theatre Hullaballoon which was successful with an announcement in July this year.
10. In previous reports Cabinet had resolved to note that Officers had agreed an option to purchase 9 Borough Road the former Fire Station and house adjacent to the Civic Theatre for the project and agreed to proceed with the purchase if the ACE bid was successful. Cabinet had also agreed to underwrite a contribution of £0.660M for the project and whilst the risk of not achieving the funding from the sale of the Arts Centre is minimal, due to the value the approval is being sought from Council and a report will be presented to Council on 25 September 2014.
11. Following successful Stage 1 application the ACE have offered Theatre Hullabaloo a development grant of £175,932 which is to take the project to RIBA Stage D.

12. On top of the ACE grant there is also partnership funding of £27,936 which is in kind and mainly Council officer time.
13. Theatre Hullabaloo have agreed with ACE a date of 31 July 2015 to submit the Stage 2 application which must cover the following:
 - (a) Design development to RIBA Work Stage D and associated fees
 - (b) Sustainability Report
 - (c) Groundwork and technical investigations and surveys
 - (d) Documented retrieval (archive licensing)
 - (e) Fundraising and projects support
 - (f) Public consultation
 - (g) Access Report
 - (h) Planning fees
 - (i) VAT report
 - (j) Design Team tender costs
 - (k) Legal fees
14. Following submission of the above on 31 July 2015 ACE will take approximately 12 weeks to evaluate the bid prior to approving the project and releasing the rest of ACE capital funding.
15. In order to ensure success of the Stage 2 application, it is necessary for Members to agree to exercise the option to purchase 9 Borough Road or to enter a contract prior to this option running out in December 2014. The Vendor is not willing to extend the option to purchase therefore the Council needs to exercise its right to purchase to ensure that the Stage 2 application has the best chance of success.
16. Subject to Council approval of the £0.660M underwriting and Cabinet approval to purchase the property, a payment of up to £300k will be made prior to December 2014 with the Vendor remaining in the property under license until at the latest December 2015 when the building will be required. On final completion of the sale the balance remaining of the £425k will be paid.
17. As mentioned above the children's theatre project is very much a partnership between the Council and Theatre Hullabaloo however the building will be owned by the Council so it will be necessary to enter into a lease or licence agreement with Theatre Hullabaloo to formalise their occupation.

Financial Implications

18. Overall cost of the project is £2,343,135 which will be funded as follows:

| Funding Source | Amount |
|---|-------------------|
| DBC cash contribution to Stage B | £25,000 |
| Creative Darlington (DBC cash contribution to Stage B) | £10,700 |
| DBC in kind contribution Stage B – D | £22,000 |
| Theatre Hullabaloo (which in kind project development £4,202 + £1,510 = £5,712) | £15,712 |
| DBC cash contribution to capital project (underwritten) | £660,000 |
| Fundraising target | £109,723 |
| Development funding ACE | £175,932 |
| Stage 2 funding ACE | £1,324,068 |
| Total Project cost | £2,343,135 |

19. In addition to the capital costs to build the Hullaballoon there will also be the ongoing revenue costs.

20. At Cabinet on 3 December Members approved to reallocate the ongoing subsidy for the Civic Theatre which subject to a successful HLF bid would no longer be required to Hullaballoon of approximately £60K per annum.

Risks

21. There are a number of risks associated with buying 9 Borough Road before Stage 2 approval by ACE and with the underwriting of the £0.660M.

(a) Unsuccessful at Stage 2 and ACE don't fund the project – therefore the Council would be left with a site without a use.

Mitigation: Through the development stage Theatre Hullabaloo and the Council will be working very closely with ACE to develop the Stage 2 bid, ensuring that ACE are fully engaged in the development of the project which will minimise any risk of the Stage 2 application being unsuccessful.

(b) Condition of Building

Mitigation: No detailed survey work has been carried out therefore the actual structural condition of the building is unknown. However, it is anticipated that the majority of the building will be demolished, retaining only the frontage and replaced with new build therefore minimising any risk.

(c) Cost Overrun

Mitigation: Any cost overrun will be a Council responsibility to meet as ACE will only contribute £1.5M. Through the scape framework Wilmott Dixon have been engaged to deliver the project on a Design and Build Contract and as the scheme is developed to Stage D costs will be finalised and the project value

engineered if required to meet available budget.

- (d) Sale of the former Arts Centre does not achieve the minimum sum of £0.660M
Mitigation: As with all commercial deals with regards to eventual sale progressing and the amount of money received there is always a risk that the £0.660M will not be achieved. However it is anticipated that this is a minimal risk but Members need to be aware that if the minimum sum of £0.660M is not achieved then other capital spending priorities maybe impacted upon.

Valuation Advice

22. Estates have led on the negotiations to purchase the former Fire Station and house, 9 Borough Road. The purchase price of £425,000 includes both the value of the property and compensation for the loss of the owners business and home. It is considered that this figure represents best value for the Council.
23. The option to purchase agreement has been signed by the Vendor and the Council intends to exercise their right to purchase or to proceed to a contract to purchase before the option expires.
24. The occupation of the proposed children's theatre by Theatre Hullabaloo will need to be formalised by an appropriate lease or licence. In informal negotiations Theatre Hullabaloo have agreed to take a lease or licence of the building, in conjunction with use by the Council, for a 25 year term at a rent of £16,000 per annum. It is considered that this is the best consideration reasonably obtainable in line with the requirements of S123 of the Local Government Act 1972.

Equalities Considerations

25. There are no specific potential impacts on those people with protected characteristics as a result of this report.

Consultation

26. The Arts Enquiry Group process shaped the vision for the arts in Darlington. This process includes face to face contact with specific groups and individuals using the Arts Centre, consultation at Talking Together events and information gathering on impacts through the Council's online forum and comments submitted via telephone, email and letter.