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**CIVIC THEATRE RESTORATION UPDATE**

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

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

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**SUMMARY REPORT**

**Purpose of the Report**

1. To update Members on progress with regard to the restoration project for the Civic Theatre and Heritage Lottery Fund application.

**Summary**

2. The restoration project for the Civic Theatre continues to move forward, progressing previous recommendations approved by Cabinet on 4 June 2013.
3. A levy has been introduced, the two adjacent shop units have been purchased, HLF application submitted and work undertaken to review the most appropriate way of fundraising for the project.
4. Officers continue to work with colleagues at the Heritage Lottery Fund with the project receiving extremely positive feedback to date and the HLF Board being very supportive of the application.
5. The report requests approvals subject to funding to enable the project to commence immediately if the HLF Bid is successful to ensure timetables are achieved.
6. The total project cost is estimated to be £8.242m and the funding is planned from HLF grant, fundraising and the restoration levy.

## **Recommendation**

7. It is recommended that :-

- (a) Members note progress to date on delivering the restoration project for the Civic Theatre
- (b) Members endorse the approach being taken to fundraising detailed in the report.
- (c) Members agree the principle of underwriting the £1.6 million fundraising target for the project detailed in the report and forward to Council for Approval.
- (d) Members agree that the appointment of the main contractor to undertake the works is a strategic procurement and that this should be added to the annual procurement plan.
- (e) Members agree that the procurement plan for the appointment of the main contractor should be via the Scape framework for the Civic Theatre and Hullaballoon projects and the award made to Willmot Dixon.
- (f) Members release the funding for the Civic Theatre project as detailed in the report, subject to a successful HLF application for Phase 1, project development being £498,434.
- (g) Receive further reports on progress, design and financial implications as the project develops.

## **Reasons**

8. The recommendations are supported by the following reasons :-

- (a) To encourage further fundraising from a non-Council body and to provide advocacy for the Civic Theatre.
- (b) To facilitate the necessary investment and restoration of the Civic Theatre to bring it up to modern-day standards.
- (c) The designation of contracts as strategic or non-strategic and consideration of the appropriate procurement route for strategic contracts, is a Cabinet function under the Council's contract procedure rules.
- (d) To enable the Restoration Project to move forward to the next stage.

**Paul Wildsmith**  
**Director of Neighbourhood Services and Resources**

## **Background Papers**

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

Ian Thompson : Extension 6628/CD

S17 Crime and Disorder	The content of this report will not impact on crime and disorder.
Health and Well Being	There is no direct impact on health and well being as a result of the outcome of this report.
Carbon Impact	If successful and the Civic Theatre is restored there will be a positive impact on carbon emissions as a result of more efficient, modern plant.
Diversity	No individual is adversely affected as a result of this report.
Wards Affected	The Civic Theatre is located in Central Ward.
Groups Affected	There will be no impact on individual groups other than those who use the Civic Theatre.
Budget and Policy Framework	Members are asked to underwrite the fundraising element of the project, which, if unsuccessful, will impact on the MTFP. This decision will be forwarded to council for approval. There is no change to the Council's policy framework.
Key Decision	This is a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	The Civic Theatre does have an impact on the Place of Darlington, contributing to the overall Economy, Environment and Perfectly Placed priority.
Efficiency	The outcome of this report does not impact on the Council's efficiency, however a restored Civic Theatre would have a positive impact on income.

## MAIN REPORT

### Information and Analysis

9. Cabinet have considered a number of reports on the Civic Theatre in recent years with the most recent being on 4 June 2013. At that meeting Members were asked to approve:
- (a) The setting up of a compulsory restoration levy at a cost of £1 per ticket with the exemption of dedicated children's performance (except Pantomime) and that this levy be introduced from July 2013.
  - (b) Delegated authority to the Director of Resources in consultation with Cabinet Portfolio Holder for Efficiency and Resources to pursue the acquisition of properties identified in the report and that the price in line with the figures referred to in exempt information.

- (c) The removal of the booking fee.
  - (d) Support in principle the establishment of a Restoration Trust with a Council nomination to the Trust Board.
  - (e) Approve the overall funding strategy and agree to submit a HLF Stage 1 Application later that year.
10. A significant amount of work has taken place since this report. Recommendations have progressed as follows.

### **Restoration Levy**

11. A restoration levy was introduced in July 2013 and up to the end of April 2014 has raised £96,396. It was estimated that the annual income of £125,000 could be achieved from the levy; this is still believed to be achievable as the pre-sales for the pantomime were missed with the introduction from July and there is a further three months of ticket sales up to end of July.

### **Acquisition of adjacent shop units**

12. The Council has successfully purchased the two shop units adjacent to the Civic Theatre.

### **Restoration Trust/Fundraising Body**

13. Further work has been carried out to review the most appropriate approach to achieving the significant £1.6 million fundraising target for the Civic Theatre. It is clear such a significant sum cannot be raised without considerable investment in terms of senior officer time and financial input. It is believed that the most appropriate way forward is :
- (a) The fundraising will be led by the Chief Executive supported by others.
  - (b) To appoint a Development and Fundraising Manager within the Civic Theatre reporting to the Theatre Director. This appointment would support the Chief Executive in working with champions and organise and deliver the rest of the fundraising strategy. This post will require a salary in the region of £30,000 to £35,000.
  - (c) Other costs associated with fundraising as well as the Manager post would be met through the theatre's revenue budget (supplemented if necessary) on the clear understanding that there would be a business case of spend generating returns.
  - (d) The Chief Executive in consultation with Members and other officers to invite influential people to become champions and advocates of the project and the theatre.

- (e) Explore charitable status, working with a potential Chair Designate of the Trustees (once identified) and the Portfolio Holder on this.
  - (f) To develop a vision for the theatre that can be supported by a sustainable and realistic business model.
  - (g) Development of a menu of giving opportunities and a ladder of giving, and alongside this a dynamic set of benefits including special events.
14. The initial phase of identifying and working with potential champions is fundamental to the success of the fundraising campaign. There needs to be a period of networking and building support for the project, and working with interested individuals to guide and steer the fundraising strategy. The work of the champions will not just be to raise funding for the restoration but also to raise continuing funding to maintain the theatre. In addition they may also be able to bring contacts and influence to help enhance further the nature, variety and quality of the programme within the theatre.
15. With any fundraising campaign there is a risk that the target is not achieved; in the case of the Civic Theatre the risk is £1.6 million. This funding is required to deliver the overall project and therefore it is necessary to consider how this element of the project could be funded if the fundraising campaign is unsuccessful.
16. The restored Civic Theatre will have increased seating capacity of approximately 71 seats as well as improving the quality of seating throughout the auditorium. The changes to the seating layout will have the beneficial effect of increasing ticket sales and overall ticket yield. Therefore, there is the opportunity to increase income from the Civic Theatre through ticket sales and secondary spend. It is estimated that this could be approximately £80,000.
17. This additional income is not currently accounted for within the MTFP therefore if the fundraising campaign is unsuccessful in achieving the £1.6 million target, there is the opportunity to fund any gap through prudential borrowing paid for via increased ticket sale revenue. However as this is not guaranteed it is proposed that Members underwrite the £1.6 million to minimise any risk to the project to receiving HLF funding.

## **HLF Application**

18. The Stage 1 HLF Application was submitted in October 2013 with the outcome of that application being received in January 2014. The application did not receive funding at this board meeting, however the Council were requested to re-submit within seven days with some small changes to the original application. This was achieved with the outcome of that application being received on 21 May 2014. The application received extremely positive feedback with the Board being really supportive of the project but unfortunately they did not have adequate funding available at that meeting to approve the project. The Council were requested to re-submit again on 20 June 2014 where the Board will reconsider in late September 2014 with the outcome being known on 30 September 2014.

19. The application has been re-submitted and officers remain hopeful that on this occasion the Council will be successful. However, it needs to be noted that the Civic Theatre is competing on a national scale, requesting £5 million funding from a £15 million to £20 million pot.

### **Vision for the Theatre**

20. The approach to restoration will be conservation led. Careful research will inform a high quality decorative scheme based on the original fittings and colour scheme. DBC will partner specialists in these fields and in doing so will provide training opportunities with sub-contractors and education providers including Darlington College.
21. The artistic vision for the theatre is:
- (a) To present high quality events which are relevant, inclusive and accessible to the whole community of Darlington and beyond.
  - (b) To communicate the value and excitement of the performing arts.
  - (c) Our vision is underpinned by a conviction in the transforming power of the arts, which have the capacity to both reflect and express a sense of identity and can promote self-esteem and community cohesion.
  - (d) To strive for excellence and continually build capacity for growth.
  - (e) To communicate the remarkable story of the Civic Theatre and engage people with its heritage.
22. To achieve the artistic vision we will:
- (a) Attract the best of British and International theatre, music and dance to Darlington and negotiate the best possible financial terms.
  - (b) Strive to create a stimulating, vibrant and creative programme.
  - (c) Balance the programme with high quality, accessible productions, which provide excellent entertainment and generate income.
  - (d) Ensure the programme is attractive and pertinent to current and potential new sponsors and funders.
  - (e) Seek out companies who are equally committed to audience development and who in the main are interested in long-term relationships with us as a venue.
  - (f) Create exciting opportunities for people to learn about the Civic Theatre and its history.

- (g) Encourage risk taking in audiences through a complementary programme of high quality education and outreach activities.
- (h) Build relationships with companies who create inspiring work for and with young audiences.
- (i) Develop young audiences and actively encourage their participation at the Civic Theatre via our ArtsSpark scheme, including special programming initiatives and by involving young people in all aspects of the venue in order to foster a sense of ownership.
- (j) Respect the role of the artist and forge new partnerships with creative individuals and organisations.
- (k) Reflect cultural diversity in all its facets in programming choices. Thereby increasing recognition and respect for the value of the work produced by culturally diverse companies.
- (l) Programme work where possible, which includes audio description, captioning and or signing.
- (m) Recognise the potential of the programme to contribute to life-long learning.
- (n) Empower community arts groups and support them to present their work in the venue and help them to achieve the highest possible production values.
- (o) Ensure the programme of Darlington Civic Theatre complements the cultural offer in the region.
- (p) Strive to understand the evolving interests and needs of our audiences (either existing or potential) through appropriate consultation and the gathering of audience intelligence and reflect this understanding in our programming choices.

## **Financial Implications**

23. The overall cost for the restoration project from the initial Stage 1 Application was £8,142,660 however this will have increased by £100,000 due to potential six months slippage therefore the estimated cost is now £8,242,660. Obviously the overall scheme is made up of several elements, however from HLF point of view is split into two phases. Phase 1 the development phase, subject to a Stage 1 approval, will take the original design through to RIBA Stage D alongside the development of the activity plan, audience development plan, interpretation, business planning, training plan and fundraising strategy. The costs for this phase are:

- (a) Total development cost £498,434, DBC contribution £72,434 (£10,000 from Creative Darlington)

(b) HLF Development Grant requested £426,000 therefore HLF Development Grant intervention rate of 85%

24. The next phase of the project, the actual construction, alongside the training, education and development programme. Phase 2 is funded as follows:

(a) Total delivery cost £7,769,230, DBC contribution (via levy and fundraising) £3,200,230

(b) HLF Delivery Grant requested £4,569,000

(c) HLF Delivery Grant intervention rate 60%

25. Total requested grant from HLF is £4,995,000 with a contribution from the Council of £3,247,660. The Council's contribution will be funded through the Restoration levy and fundraising, which is discussed earlier in this report.

26. The funding breakdown for the project is in the table below:

Restoration Levy	-£5,682,000	Collected over 30 years
HLF Grant	-£4,995,000	
Creative Darlington	-£10,000	
Fundraising	-£1,600,000	
<b>Funding</b>	<b>-£12,287,000</b>	
Refurbishment & Associated Costs	£8,267,664	Borrowed over 25 years
Closed Period Lost Business	£495,000	
Cost of Borrowing	£2,340,000	
<b>Cost of Refurbishment</b>	<b>£11,102,664</b>	
Variance	-£1,184,336	

#### Notes

(n1) Civic Theatre closed during Pantomime season Dec 2016 to Jan 2017 but reduced show at Dolphin Centre

(n2) Assume 2% increase per year on ticket sales following refurbishment for first 3 years

(n3) Prudential borrowing of £1.46M over 25 years at 4.43%

(n4) Potential increase in Levy 5 years after restoration to £1.25 from 2021/22 & £0.25 increases every 5 years until cap at £2.00

27. As can be seen from the above table there is a £1,184,336 surplus on the funding package available. This will be put into a sinking fund to ensure that the restored theatre is maintained to a high standard into the future.

#### Risks

28. There are a number of risks that still remain with the project and need to be brought to Members' attention:



- (a) The Heritage Lottery Application is ultimately unsuccessful.  
**Mitigation:** The project would then be reviewed and scaled back to the funding available.
- (b) The Council cannot utilise the two shop units that it has purchased if HLF Application ultimately is unsuccessful.  
**Mitigation:** The shop units could be rented or re-sold with the income received going back into the project.
- (c) If the Council is successful, HLF funding will be required by the grant to keep the theatre operating to avoid any future clawback.  
**Mitigation:** It is anticipated that the Civic Theatre through the project will move to a breakeven position therefore it is not anticipated there will be any pressure on the MTFP.
- (d) The Council is unsuccessful in achieving the £1.6 million fundraising target.  
**Mitigation:** The restored Civic Theatre brings with it opportunity to increase the income, which is not accounted for in the MTFP, therefore could be used to fund any borrowing required to cover any gap in funding.
- (e) Costs of the project overrun with the Council carrying the risk of increased contribution.  
**Mitigation:** Through the Scape framework, an agreed maximum price will be set that cannot be exceeded without the Council's approval

## Next Steps

- 29. The HLF Stage 1 Application has now been re-submitted with the outcome being known at the end of September 2014. If successful there will then be a need for a development phase of the project for up to a year before going back to the HLF with a Stage 2 Application. During this time the physical restoration programme is further developed, refined and costed alongside the development of education, training and heritage programmes. It is anticipated that it is possible to re-submit the Stage 2 Application in August 2015 with a decision not expected until November 2015. This will therefore mean the original start onsite construction date of mid-January 2016 is not achievable. The start date will have to move back by six months until June 2016. The impact of this is two-fold; firstly inflation on build costs will mean an additional £100,000 and it will not be possible to deliver the restoration between pantomimes, unfortunately the additional £100,000 is a cost that will have to be built into the project. As for the pantomime, officers are looking at opportunities of still delivering the 2016/17 pantomime at the Dolphin Centre albeit slightly scaled down.
- 30. To enable this timescale to be delivered, release of the funds for the development phase (£498,434) are requested subject to HLF grant approval.

## Procurement Advice

- 31. The cost of the works will be over European Union public procurement thresholds. It will also automatically be designated as a strategic procurement, by virtue of the

Council's Contract Procedure Rules by which any contract with a value in excess of £5,000,000 is deemed strategic. As a strategic procurement Cabinet must approve the procurement strategy.

32. Because of time constraints there may not be sufficient time to run an EU compliant procurement so consideration has been given to using an EU compliant framework. It is recommended that the Scape framework (an EU compliant pre-procured framework) available for the public sector, is used. By using the Scape framework responsibility for procuring the range of specialists is passed to contractor appointed through the Scape framework. The contractor that is proposed to carry out the work from the Scape framework is Willmot Dixon. The Council will continue to retain the specialist theatre advisor of Theatresearch and quantity surveyor to ensure the Council and funders are getting value for money.
33. Again subject to successful funding, the Hullaballoon project for the children's studio theatre next to the Civic Theatre in the old Ambulance Station will be delivered on the same timescale and therefore using the same design team, contractor and specialist is critical to gain any efficiencies through the two projects. Therefore, subject to Members agreeing with the recommendation to use the Scape framework, this would also be utilised for the Hullaballoon project.

### **HR Implications**

34. Subject to successful HLF Stage 1 and Stage 2 Applications it will be necessary to close the theatre for a period of time for refurbishment. It is anticipated that the closure will take place from June 2016 for approximately 12 months. As the project progresses and the details of the restoration become clearer there will then be full consultation with staff and trade unions about any HR implications.

### **Equalities Considerations**

35. It is not considered that the refurbishment of the Civic Theatre will impact negatively on any individual with protected characteristics, in fact, access to the building and opportunities to engage with the Civic Theatre will be improved as part of the restoration project.

### **Consultation**

36. Through the development of the project, consultation will continue to take place with relevant stakeholders, Civic Theatre customers and residents of Darlington. The aim of the consultation is to continue to establish the views of the Civic Theatre by these groups, particularly for customers of the theatre their satisfaction.
37. A sympathetic approach will be taken towards the consultation/engagement with a number of methods being employed to seek the broad views to assist in the development of the overall restoration project.
38. The outcome of the consultation/engagement will help to inform the restoration project and the included work with the HLF.