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REPORT OF THE DIRECTORS OF LEARNING AND LEISURE AND DEVELOPMENT

TO EXECUTIVE BOARD

DATE : 9th FEBRUARY 2007

**SUBJECT: DESIGN & COST REPORT
LEEDS CITY VARIETIES MUSIC HALL
CAPITAL SCHEME NUMBER : 01368 / 000 / 000**

Electoral Wards Affected:

City & Hunslet

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

Executive Summary

The report provides an update on the long established need to undertake a refurbishment of the Leeds City Varieties Music Hall in order to secure its long term future as a unique, operational theatre and important learning resource.

The report refers to a comprehensive re-assessment of previous proposals/costs prepared on behalf of the Leeds Grand Theatre Board, as owner of the building, and which showed refurbishment costs then estimated at £4.0m. The report advises that the updated/revised scheme proposals projected to 2009/10 start on site, would now cost an estimated £9.2m.

The report summarises the reasons for the project increase and advises that the projected budget shortfall of £5.2m can only be funded by an increase in the Council's contribution from £1m to £5.2m and to seek an increased level of grant from £2m to £3m, from the Heritage Lottery Fund (HLF). The report advises that to reduce the scope of works to achieve significant cost savings would reduce the level of public benefit arising from the project such as to make the refurbishment scheme not worth progressing with the consequential risk that the theatre may in the future, fail to comply with health and safety and other statutory requirements. A report elsewhere on the agenda proposes the inclusion of £9.2m for the City Varieties refurbishment in the Capital Programme 2006/07 to 2010/2011.

The opportunity to acquire adjacent third party property interests in order to assist the design proposals and address technical problems associated with the proposed refurbishment of the

City Varieties is detailed in Appendix 1 of the report, which is confidential under Access to Information Procedure Rule 10.4.3

No contractual commitments have been undertaken by the Council with regard to any aspect of the project with the exception of the fee costs of preparing a Stage 1 bid for funding to the Heritage Lottery Fund which, subject to the approval of Executive Board, is scheduled to be submitted in March 2007.

In addition to proposed inclusion of the £9.2m scheme in the Capital Programme, the report recommends the submission of a £3.0m bid to the Heritage Lottery Fund as part of the project funding, to note the proposed funding contribution from the Leeds Grand Theatre Board and the proposed acquisition of third party interests

1.0 PURPOSE OF THE REPORT

The purpose of the report is to:

- i. Provide an update on the refurbishment project for the City Varieties and to note the proposed inclusion of £9.2m in the Capital Programme 2006/07 to 2010/2011 to fund the scheme.
- ii. Authorise an injection of £170k into existing Capital Scheme No 1368/ST1 and the incurring of expenditure for the preparation of the Stage 1 bid to the Heritage Lottery Fund.
- iii. Authorise an injection of £495k into the Capital Scheme and the incurring of expenditure for the preparation of a Stage 2 bid to the Heritage Lottery Fund on the basis the Stage 1 bid is successful.
- iv. Authorise the submission of a bid to the HLF for a £3m grant towards the cost of the refurbishment project.
- v. Note the proposed funding contribution of £1m by the Leeds Grand Theatre and Opera House Ltd.
- vi. Authorise negotiations on the acquisition of third party property and the potential long leased disposal on terms to be agreed of a Council interest as detailed in Appendix 1 of the report.

2.0 BACKGROUND INFORMATION

2.1 Leeds City Varieties Music Hall (the Varieties) is a nationally and internationally renowned theatre which makes a significant contribution to the distinctive and vibrant cultural life of the city. It is one of only three or four music halls still in existence and is both the largest, and most complete, example left in the country. It is unique as the only music hall which remains operational as a theatre on a full time basis. The City Varieties, which is a Grade 2* Listed Building dating from 1865, was acquired by Leeds City Council in 1987 to prevent the then near bankrupt theatre from being redeveloped. Ownership of the building was conveyed to the Leeds Grand Theatre and Opera Company Limited in the same year.

2.2 The need to restore, repair and significantly improve the fabric and facilities of the theatre has long been recognised. Two studies were undertaken in 1992 and 1994 on appropriate strategies and priorities to secure the long term future of the building. Some essential repairs/improvements have been effected, albeit in a piecemeal fashion, to maintain the building as an operational theatre. In 1997 a Disabled Access Feasibility Study was undertaken to review options to improve the physical access at the theatre and to restore and refurbish the building to secure its long term future. Outline proposals were subsequently prepared by consultants on behalf of the Leeds Grand Theatre Board to facilitate a bid to the Heritage Lottery Fund in 2000 but this was not progressed due concurrent bid proposals regarding the Grand Theatre refurbishment scheme. Whilst some repairs/improvements have continued to be made to the City Varieties, the theatre remains in fundamental need of a comprehensive refurbishment scheme in order to meet current customer expectations and to comply with statutory legislation (primarily health and safety and DDA issues). The envisaged

refurbishment scheme will secure the long term future of the building as an operational theatre with improved accessibility and efficiency of operation and will ensure the preservation of a significant heritage asset for the city. In addition, there will be the important opportunity to develop the role of the City Varieties as a significant and unique learning resource associated with the rich and diverse social and economic history of the theatre, its architectural heritage and the performing arts.

- 2.3 In November 2003, Executive Board agreed to support the submission of a bid to the Heritage Lottery Fund (HLF) for a grant towards the refurbishment and improvement of the building. Members of Executive Board were advised that the outline design and cost estimate of £4m was based on figures previously prepared by consultants acting on behalf of the Leeds Grand Theatre Board. The proposals were based on a concept design only, without the benefit of any detailed measured, condition or intrusive surveys of the building.
- 2.4 In November 2003, it was assumed that the outline project costs of £4m would be funded from the HLF (£2m), the City Council (£1m), with the remainder (£1m), to be raised by the Grand Theatre Board (through sponsorship, grant applications and the Friends of the Varieties).
- 2.5 In May 2005, Executive Board agreed to fund in its entirety the estimated £365,000 cost of preparing and submitting the Stage 1 bid to the HLF.

3.0 MAIN ISSUES

PROJECT COSTS

- 3.1 The Strategic Design Alliance, which has been appointed as the multi disciplinary design team to re-assess and progress in more detail design and cost proposals for the refurbishment of the City Varieties, has estimated the construction cost of the proposed works to be £6.6m at 1st quarter, 2009 when it is envisaged work on site would commence.
- 3.2 Total project costs are estimated at £9.2m inclusive of fees, preliminaries, contingencies, theatre closure costs and client contingency, but exclusive of third party compensation that may be payable to adjacent property owners and, the cost of third party property interests as detailed in Appendix 1. Executive Board should note that the estimated construction cost of £6.6m remains a budget estimate only at this time. Whilst some opening up works and intrusive surveys have been undertaken, at this stage of the design process, the proposals are not sufficiently advanced to provide a full and detailed estimate for the scheme and, as such, the figures presented remain part estimate and part cost plan allowances. It should also be noted that in forecasting costs as far ahead as spring 2009, there is a risk that Building Cost Inflation may exceed the projected rate of increase currently allowed in the cost plan.
- 3.3 Executive Board should note that the City Varieties Project Board, which provides guidance and direction to the project team and consultants, gave detailed consideration to the potential of reducing specifications/omitting areas of work from the project altogether to reduce costs. The options considered by the Project Board, which would have produced cost savings of around £1.7m included:
- I. Omitting the provision of the new substation which would mean that ventilation and comfort cooling to the auditorium and works that would increase the electrical load to the building (apart from provision of new lift) would also have to be omitted.
 - II. Omit provision of new office accommodation
 - III. Reduce/omit works to improve theatre lighting and sound systems.
 - IV. Omit window reinstatement and internal glazing to the auditorium.
 - V. Reduce significantly works to the backstage areas
 - VI. Refurbish rather than replace theatre seating.
 - VII. Implement reduced specifications across the building as a whole
- 3.4 The Project Board concluded that whilst there was opportunity to generate some savings (circa £300,000) through reducing the specification of materials across a number of areas of the building, there was little real opportunity to reduce the scope of works without prejudicing the integrity of the refurbishment project itself. The Project Board were of the view that if the

scope of works had to be reduced then the scheme would primarily deliver limited restoration of the heritage elements, a general refurbishment of other areas and, the provision of a front of house lift which in their entirety, may not deliver either sufficient heritage 'outputs' to attract the level of funding sought from the HLF or satisfy public aspirations and expectations.

- 3.5 The Project Board were, therefore, of the view that to limit the scope of the refurbishment scheme and the public benefits arising would mean that the project would no longer be worth progressing with the consequential risk that the theatre may in the future fail to comply with health and safety and other statutory requirements.

PROJECT BUDGET

- 3.6 The total project costs estimated at £9.2m include an allowance for an uplift in fee costs from an estimated £365k to £535k to prepare design and cost proposals to RIBA Stage C and business plan proposals to accord with the requirements of the Heritage Lottery Fund application process.. The increased fee figure is due both to the significant additional work involved in resolving a range of design, cost and operational issues and the extended timescale required to undertake the work. The programme to which the design team and other consultants were originally appointed envisaged submission of the HLF bid in June 2006.
- 3.7 The historic concept scheme and indicative budget costings of £4m previously reported to Executive Board in 2003 assumed the project would be funded from the HLF (£2m), the City Council (£1m), with the remainder (£1m) to be raised by the Grand Theatre Board. Based on the current scheme costings of £9.2m, there is, therefore, a projected budget shortfall of £5.2m compared to the historic scheme proposals and assumed funding contributions. The projected shortfall can only, realistically, be met from a further increase in the City Council's contribution to the project and to seek an increased contribution from the HLF. This would give a potential total Council matched funding contribution of £5.2m, with an increase from £2m to £3m to be sought from the HLF. The £1m funding contribution from the Leeds Grand Theatre Board remains constant.
- 3.8 Executive Board should note that Council officers are of the view that there is little scope to seek additional funding from the HLF above the £3m currently projected, as the level of heritage 'outputs' that will be of interest to the HLF is already felt to be commensurate with the level of grant being sought. Indeed some of the reasons for the additional project costs are due to a backlog in maintenance of the property and/or are of an artistic nature for which HLF funding is not applicable.

4.0 CONSULTATION

- 4.1 The Chair of the Leeds Grand Theatre Board of Management has been briefed and is supportive that consideration be given to increasing the project budget and to exploring the acquisition of the third party property interests.
- 4.2 The Theatres Trust and English Heritage are being advised on the development of the design proposals for the refurbishment works.
- 4.3 The Grand Theatre Board of Management has been briefed on the scheme proposals.

5.0 RESOURCE IMPLICATIONS

- 5.1 The current scheme proposals will require an increase in the City Council's matched funding contribution from the previously envisaged £1m to £5.2m, an increase of £4.2m.
- 5.2 With the exception of £365k for design/consultant costs, no other provision to date has been included in the capital programme for the funding to support an application to the HLF. It should be noted that elsewhere on the agenda, there are proposals to include provision of £9.2 m in the Capital Programme 2006/07 to 2010/2011 to fund the proposed refurbishment project. The envisaged expenditure will be due for payment over a number of years as predicted below :

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2006 £000's	FORECAST				
			2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	365.0	62.4	302.6				
OTHER COSTS (7)	0.0						
TOTALS	365.0	62.4	302.6	0.0	0.0	0.0	0.0

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2006 £000's	FORECAST				
			2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
CONSTRUCTION (3)	0.0						
DESIGN FEES (6) Stage 1 Bid	170.0		170.0	0.0			
DESIGN FEES (6) Stage 2 Bid	495.0			375.0	120.0		
OTHER COSTS (7)	0.0						
TOTALS	665.0	0.0	170.0	375.0	120.0	0.0	0.0

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2006 £000's	FORECAST				
			2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
LCC Funding	5200.0	62.4	472.6	375.0	400.0	3365.0	525.0
Lottery	3000.0				175.0	2825.0	
Grand Theatre Contribution	1000.0					1000.0	
Total Funding	9200.0	62.4	472.6	375.0	575.0	7190.0	525.0
Balance / Shortfall =	8170.0	0.0	0.0	0.0	455.0	7190.0	525.0

5.3 The additional anticipated expenditure of £170,000 required to fund the preparation of the Stage 1 bid to the HLF will substantially be expended in financial year 2006/07.

5.4 On the basis the key decision anticipated in September 2007 on the Stage 1 bid to the Heritage Lottery Fund is successful, the project programme envisages an immediate commencement on preparation of the Stage 2 bid. On the assumption the project is included in the Capital Programme, as referred to in Para 5.2 above, an injection into the Capital Scheme of £495k is requested to allow this next stage of design work to commence and to avoid delay in the programme and risk of construction cost inflation.

6.0 THIRD PARTY PROPERTY INTERESTS

6.1 A number of technical and operational benefits have been identified if third party property interests were to be acquired, as detailed in Appendix 1 of the report which is confidential under Access to Information Procedure Rule 10.4.3.

7.0 PROGRAMME

7.1 The development programme originally envisaged the Stage 1 HLF bid would be submitted in June 2006, with an anticipated decision being confirmed by December 2006. Given the challenges faced by the design team in bringing forward proposals within the spatial limitations of the building and a constrained construction budget, the HLF bid is now scheduled for submission in March 2007.

8.0 RISK ASSESSMENT

8.1 Heritage Lottery Fund – there is a risk that the £3m bid will either not be successful or a lower award is made. Whilst the risk may be mitigated through Council officers/consultants working with the HLF to ensure the best application is made that meets the HLF's strategic objectives, namely the need to conserve the building and promote access to, enjoyment and learning about the heritage environment, the risk can not be completely eliminated given the competitive bidding environment. If the required funding is not forthcoming, the Council will need to determine whether a reduced scope of works that could be delivered within the budget available should be pursued.

8.2 Leeds Grand Theatre Board – there is a risk that there will be a shortfall in the £1m contribution made by the Leeds Grand Theatre Board. This risk will be mitigated by the preparation of a Funding Strategy on behalf of the Grand Theatre Company to raise the

required funding of which approximately one-third has already been identified. Nonetheless, should there be a shortfall in achieving the overall figure of £1m, the Council may be expected to underwrite this deficit or will need to identify omissions/reductions in the scope of works to comply with budget availability.

- 8.3 There is a risk that the total scheme cost of £9.2m, may increase by the proposed scheme completion date in Spring 2010. Steps to mitigate this risk include:
1. Undertaking a number of surveys of the building, including asbestos surveys, to establish the overall condition of the fabric and existing services/systems so as to minimise the risk of additional works/costs. More detailed surveys/checks will be undertaken as the project progresses through to start on site.
 2. In recognition of the issues at (1) above and the restrictions imposed by the constrained nature of the site and age of the building, the level of proposed construction cost contingency provision has been increased to 20%. In addition, a further overall client contingency of £0.735k has been included in the overall project cost.
 3. The construction costs have been projected to IQ2009 when a start on site is anticipated. The costs have been projected using the Building Cost Information Service (BCIS) indices which is the industry standard for building cost projections.
 4. Should project costs exceed the budget provision, then either a reduced scope of works will have to be determined or increased funding provision sought.
- 8.4 There is a risk that third party agreements will be required and that satisfactory negotiations cannot be concluded. This risk will be mitigated by early dialogue with the third parties and an allowance made in the cost plan for the potential payment of compensation.

9.0 COMPLIANCE WITH COUNCIL POLICIES

- 9.1 The proposed refurbishment of the City Varieties Music Hall will make a positive contribution to a number of key priorities identified in the Vision for Leeds and the Corporate Plan. These include themes and priorities relating to the cultural life of the city and its role as a regional capital. In this regard the City Varieties represents a unique and important resource for the local community and as an attraction to a wider audience.
- 9.2 By securing the long term future of the City Varieties, there will be significant opportunities to develop the role of the theatre as a unique learning and educational resource available to all ages and communities across the city.

10.0 RECOMMENDATIONS

- 10.1 Executive Board is requested to;
- i. Authorize an injection of £ 8835.0k into the Capital Programme and to note the proposed inclusion of £9200.0k in the Capital Programme 2006/07 to 2010/2011 for the City Varieties Music Hall refurbishment project.
 - ii. Authorise additional expenditure of £170.0k for the preparation of the Stage 1 bid to the Heritage Lottery Fund.
 - iii. Authorise expenditure of £495.0k for the preparation of the Stage 2 bid to the Heritage Lottery Fund provided the Stage 1 bid is successful.
 - iv. Authorise the submission of a bid to the HLF for a £3m grant towards the cost of the refurbishment project.
 - v. Note the proposed funding contribution of £1m by the Leeds Grand Theatre and Opera House Ltd.
 - vi. Authorise the proposed acquisition of third party property and the potential long lease disposal on terms to be agreed of a Council interest as detailed in Appendix 1 of the report .