

Report of : Director of City Development

To : Executive Board:

Date: 4 March 2009

Subject: CITY VARIETIES MUSIC HALL

Electoral Wards Affected:

CITY

Ward Members consulted
(referred to in report)

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

1. The report sets out current progress on the refurbishment project and the award of a Heritage Lottery Fund grant of £2.739m towards the overall scheme cost of £9.325m.
2. The report seeks authority for the Council to enter into a grant agreement for the HLF award subject to any further variations agreed by the Assistant Chief Executive (Corporate Governance).
3. The report refers to the decision of the Leeds Grand Theatre and Opera House Ltd Board of Management to increase their funding contribution to the project to £1.261m.
4. Executive Board is also requested to Authorise the incurring of expenditure of £8.210m on the project including Authority to enter into a building contract with the Council's preferred participating contractor. Executive Board is requested to note that the incurring of expenditure of £8.210m includes an additional injection of £125,000 to the Capital Programme through an extension of the existing prudential borrowing arrangements for the purchase of the Swan public house. The prudential borrowing will be used to fund additional improvements required to the Swan and will increase the overall project budget to £9.325m
5. Executive Board is also requested to agree the issue of a letter of intent to carry out preliminary works, if required, to avoid delay to the project programme and as a first phase part of the overall building works contract.

1.0 Purpose of This Report

1.1 The purpose of this report is to :-

- i) Advise of a Heritage Lottery Fund award of £2.739m.
- ii) Seek approval to enter into a grant agreement with the HLF for the receipt of the grant award subject to any further variations agreed by the Assistant Chief Executive (Corporate Governance).
- iii) Note the decision of the Leeds Grand Theatre and Opera House Ltd to increase their fundraising contribution to £1.261m towards the total project costs.
- iv) Authorise a fully funded injection of £125,000 into the Capital Programme through an increase in the existing prudential borrowing arrangements for the purchase of the Swan public house.
- v) Seek Authority to Spend of £8.210m on the refurbishment scheme including authority to enter into a building works contract.
- vi) Seek approval to the issue of a letter of intent to carry out preliminary works, if required, to avoid delay to the project programme.

2.0 Background Information

2.1 The City Varieties Music Hall was purchased by Leeds City Council in 1987 to prevent the theatre from potentially being redeveloped. Ownership of the building was conveyed to the Leeds Grand Theatre and Opera House Company Limited (LGTOH) in the same year.

2.2 The need to repair, restore and significantly improve the fabric and facilities of the 1865 built music hall has long been recognised and in 2003, Executive Board agreed to support a bid to the Heritage Lottery Fund (HLF) by LGTOH, to restore the building.

2.3 In May 2005, Executive Board agreed to fully fund the cost of preparing a Stage 1 bid to the HLF and a project team was established to prepare scheme proposals including designs, costs and supporting bid documentation.

2.4 In February 2007, Executive Board received a report, which advised that the projected overall cost of the refurbishment scheme would amount to £9.2m. The report also outlined the benefits of the Council seeking to acquire a third party property, the Swan Public House, which would both significantly assist in the delivery of a comprehensive refurbishment of the City Varieties and provide an investment property.

2.5 It was envisaged that the £9.2m refurbishment of the City Varieties would be funded as follows:-

Leeds City Council	£5.2m
Heritage Lottery Fund	£3.0m
Leeds Grand Theatre & Opera House Limited	£1.0m
	<hr/>
	£9.2m

The purchase of the Swan by the City Council was to be funded separately through prudential borrowing.

2.6 The Stage 1 bid to the HLF was submitted in March 2007 and a further report to Executive Board in October 2007 advised that a £3m Stage 1 pass had been awarded to the project. Executive Board agreed that preparation of the required Stage 2 application to the HLF be commenced and that work on the project be continued during the bid assessment period.

3.0 Current Position

3.1 The purchase of the Swan was successfully concluded in December 2007 and the pub has continued to operate under a lease arrangement with the former owner, Mitchells and Butlers.

3.2 The pub will close when the City Varieties refurbishment commences in April 2009 and the proposed scope of works will include some refurbishment and modification of the pub itself both to improve its operational efficiency, facilitate improvements to the City Varieties, especially at ground floor level, and to strengthen the operational and historic links between the two properties.

3.3 In December 2008, the Council was advised that the £3m Stage 2 application to the HLF had been successful but at a reduced grant level of £2.739m. This was due to an element of the Council's own project costs, for which a funding contribution was being sought, being deemed ineligible. Notwithstanding this, the grant award is an essential and major injection of funds to the project.

3.4 Members of Executive Board should note that the LGTOH Ltd Board of Management has agreed to increase its funding target from £1.0m to £1.261m to compensate for the reduced HLF grant award.

3.5 The HLF grant award contains a number of terms and conditions, the majority of which are considered to be standard requirements which the HLF apply to their grant awards, but there are 3 additional conditions which relate to:-

- i) Evidence of Local Authority decision-making process to agree the HLF terms and conditions of the grant award.
- ii) The Council must terminate the lease of the Swan to Mitchells & Butlers so that the freehold of the Swan is vested in it, the Council (Members of Executive Board should note that notice to vacate the property was served to Mitchells and Butlers on 19 December 2008 taking effect on 1 April 2009).
- iii) The LGTOH agrees that it will also be bound by the terms and conditions of the HLF contract and grant application.

3.6 Minor re-wording of the grant agreement to separate out more clearly the different roles and responsibilities of Leeds City Council, as owner of the Swan and lead partner in delivering the refurbishment project, and the LGTOH Ltd as owner and operator of the City Varieties; has been requested of the HLF and is currently being progressed.

3.7 Executive Board is requested, therefore, to agree to the HLF terms and conditions subject to any further variations agreed by the Assistant Chief Executive (Corporate Governance).

- 3.8 With regard to the overall project, design development continued during 2008 and this included investigative work on the building during the summer closure period. Opportunities to better understand the building, particularly its structure and fabric, helps both to inform design and cost planning and also to reduce some of the risks associated with the refurbishment and improvement of an historic building.
- 3.9 As the scheme proposals have been developed and refined, a number of cost pressures on the project budget have been identified including mechanical and electrical equipment and installation, the external glazed lift in Swan Street and improvements to the Swan Public House such as waterproofing the basement and replacing outdated equipment.
- 3.10 As a result of these cost pressures, the City Varieties Project Board has identified a number of target areas to achieve savings, which will keep the project within the overall agreed budget.
- 3.11 As outlined earlier in this report (para 3.1), the Swan Public House was purchased by Leeds City Council utilising prudential borrowing. There is the opportunity for some of the works required to upgrade the Swan to be funded through an extension of this borrowing facility. An increase of £125,000 in borrowing will enable, for example, the basement of the Swan to be waterproofed, improvements made to the existing kitchen and to storage facilities, which will improve operational efficiency, ensure compliance with statutory requirements and safeguard the long-term future of the building as an investment property. Additionally, it is more cost effective for this work to be undertaken as part of the overall City Varieties refurbishment project when both properties are closed. Should such improvements be deferred, then some of the work which is recommended by the Strategic Design Alliance to be carried out now as part of the City Varieties project i.e. rewiring, may prove abortive and have to be removed/replaced to accommodate waterproofing of the floor and walls at a later date.

4.0 Project Programme

- 4.1 The programme maintains a project implementation start in April 2009 with completion of the building works contract in July 2010, followed by a period of fitting out, testing and staff training prior to a public re-opening in September 2010.
- 4.2 The construction tender for the refurbishment was issued in early February 2009 and will be returned in March 2009. The tender will need to be checked and a tender report prepared and agreed to ensure the submission is both acceptable and compliant. Should the tender be over budget, savings will need to be identified and agreed before the contract can be accepted and signed.
- 4.3 Members of Executive Board are requested to note that the building works contract makes provision for a series of detailed building surveys and further investigations to be undertaken prior to the main refurbishment works commencing. These preliminary works will include, for example, some stripping out, intrusive works to investigate the building walls, structure and tolerances; determining the actual condition/soundness of the auditorium ceiling, asbestos removal and investigations to the back stage area prior to internal demolition works. The investigations will not address all risks associated with refurbishment of an old building but will reduce the prospect of extra works being identified and delays in the main construction programme, as the discoveries from the preliminary works will inform the contractor's programme of works. The preliminary works phase should, therefore, substantially reduce the risks of unforeseen additional works, delays and increased costs when the main contract

commences in July 2009.

- 4.4 In the event that savings on the construction tender do need to be made, as referred to in para 4.2, and to avoid delay in the project programme whilst such savings are identified and agreed; it is proposed to identify the survey and investigation works as an individual preliminary works package to be carried out through the issue of a letter of intent from the Council. The costs of a preliminary works contract, should it be required, will be funded from within the overall project budget.

5.0 Consultation

- 5.1 The Leeds Grand Theatre Board of Management receives progress updates on the project.
- 5.2 Consultation with a range of statutory and non-statutory bodies and organisations i.e. English Heritage, continue as the project proposals are developed and regular meetings of the City Varieties Project Board are held to guide and oversee the project on behalf of the Council and LGTOH Ltd.
- 5.3 Media releases are also issued at key milestones in the project to ensure the general public are informed and aware of progress on the refurbishment scheme.

6.0 Leeds Grand Theatre and Opera House Limited Fundraising

- 6.1 To date the Company has raised a total of around £500,000 of the original target figure of £1.0m. Executive Board is requested to note that the Board of Management, at its meeting on 27 January 2009, agreed to increase its fundraising target to £1.261m in recognition of the reduced HLF grant award.

7.0 Legal and Resource Implications

- 7.1 The overall project budget will now be £9.325m, funded as follows:-

Leeds City Council	-	£5.325m
Heritage Lottery Fund	-	£2.739m
Leeds Grand Theatre	-	<u>£1.261m</u>
		£9.325m

- 7.2 The full £9.200m has already been injected into the Capital Programme and at the time of report preparation £1.115m has been spent to date. Executive Board is requested to inject a further £125.0k and to authorise expenditure of £8.210m, equating to the balance of the revised project budget to cover both the building works contract and related costs and fees.
- 7.3 There is the opportunity to mitigate some of the budgetary pressures as referred to in para 3.11 of this report regarding use of prudential borrowing to assist with funding works to the Swan. This applies particularly to the basement floorspace where the improvements now proposed, including waterproofing, will bring these areas up to satisfactory standards and in a cost effective way, provide for the most efficient use to be made of the space available and avoid the inevitable disruption and additional costs associated with a delayed implementation of such improvement works.
- 7.5 With regard to legal matters, reference to the terms and condition of the Heritage Lottery Fund grant has already been made in paras 3.5 to 3.7 of this report.

7.6 With regard to third party property matters/issues, negotiations are on going.

7.7 The current Budget Profile is as follows:

Current total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2008 £000's	FORECAST				
			2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012 on £000's
CONSTRUCTION (3)	85.0		33.7	51.3			
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	1030.0	803.4	226.6				
OTHER COSTS (7)	0.0						
TOTALS	1115.0	803.4	260.3	51.3	0.0	0.0	0.0

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2008 £000's	FORECAST				
			2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012 on £000's
LAND PURCHASE (1)	0.0						
CONSTRUCTION (3)	6643.7			4552.0	2005.3	86.4	
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	1566.3		380.1	915.0	198.8	72.4	
OTHER COSTS (7)	0.0						
TOTALS	8210.0	0.0	380.1	5467.0	2204.1	158.8	0.0

Revised Total Scheme Cost	TOTAL £000's	TO MARCH 2008 £000's	FORECAST				
			2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012 on £000's
CONSTRUCTION (3)	6728.7	0.0	33.7	4603.3	2005.3	86.4	0.0
FURN & EQPT (5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DESIGN FEES & OTHER COSTS	2596.3	803.4	606.7	915.0	198.8	72.4	0.0
OTHER COSTS (7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTALS	9325.0	803.4	640.4	5518.3	2204.1	158.8	0.0

Current Funding Position (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2008 £000's	FORECAST				
			2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012 on £000's
LCC MRP Corporate Funded Supported Borrowing	1115.0	803.4	260.3	51.3			
LCC - RCCO Ticket Levy	100.0			100.0			
Lottery Income	2739.0			1369.5	1369.5		
Private Sector Grand Theatre Board	1161.0		356.9	804.1			
Unsupported Borrowing (SDF)	2085.0		23.2	2061.8	0.0		
Unsupported Borrowing (LCC)	2125.0			1131.6	834.6	158.8	
	0.0						
Total Funding	9325.0	803.4	640.4	5518.3	2204.1	158.8	0.0
Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

8.0 Risk Assessment

8.1 Heritage Lottery Fund – although the grant reward is less than originally envisaged, the risk of not achieving HLF funding is now significantly reduced. Provided the grant terms and conditions can be agreed and the contract executed by all relevant parties, this risk will only then relate to the project not being undertaken in accordance with the agreed terms and conditions.

- 8.2 Leeds Grand Theatre and Opera House Ltd Fundraising – there is a risk there will either be a shortfall in the £1.261m fund-raising target and/or the timescale extends over a significantly longer period. So far £500k has been raised.
- 8.3 Scheme Costs – there is a risk that the costs of the project will exceed the available budget. The proposed preliminary works will help to mitigate, but not remove entirely, such risk through the carrying out of additional building surveys and investigations.

The potential to offset some of the costs associated with refurbishment of the Swan through an increase in prudential borrowing has been identified in this report (para 3.11) subject to the agreement of Executive Board.

A significant level of contingency has been incorporated in the project budget and will only be utilised once work commences on site. Should the project costs remain above the available budget, then the scope of works will have to be reduced.

- 8.4 Third Party Agreements – there is a risk that all the required agreements/licences will not be satisfactorily concluded. This risk is being mitigated by inviting dialogue with all the respective third parties concerned. With one or two exceptions, a response has been received and positive dialogue has commenced. Discussions will be continued to seek to ensure that any outstanding issues are resolved. An allowance has been made in the project budget for the potential payment of justifiable compensation or for the cost of legal agreements.
- 8.5 Termination of the Swan Lease – there is a risk that the tenant will not vacate the property within the required timescale. This risk has been minimised by the serving of a notice on the tenant to vacate the premises by 1 April 2009. Should this not be achieved, then the Council will need to resort to legal action.

9.0 Compliance With Council Policies

- 9.1 The refurbishment of the City Varieties will make a positive contribution to a number of key priorities identified in the Vision for Leeds and the Council 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 a significant opportunity to develop the role of the music hall as a unique learning resource available to all ages and communities across the City.

10.0 Recommendations

- 10.1 Executive Board is requested to:-
- i) Note the HLF Stage 2 application award of £2.739m.
 - ii) Authorise the Council to enter into a grant agreement with the HLF on the terms and conditions detailed in the report subject to any further variations agreed by the Assistant Chief Executive (Corporate Governance).
 - iii) Note the decision of the Leeds Grand Theatre and Opera House Ltd Board of Management to increase their fundraising contribution to £1.261m to the project budget.

- iv) Authorise incurring expenditure of £8.210m on the refurbishment project including authority to enter into a building works contract.
- v) Agree an injection of £125,000 to the Capital Programme through an increase in the existing prudential borrowing arrangements for the purchase of the Swan Public house.
- vi) Agree that a letter of intent be issued to carry out preliminary works, if required, to avoid delay to the project programme.
- vii) Note the revised total project cost of £9.325m

Background Papers

HLF Grant Terms and Conditions.