

Report to: Policy and Resources Committee, 13th December 2022

Report of: Managing Director

Subject: FUTURE HIGH STREET FUND – PERFORMANCE ARTS VENUE

1. Recommendation

That the Committee:

- 1.1 Approves the submission of a revised planning application for the new Performance Arts Venue, as set out in this report;**
- 1.2 Notes the current funding position and approves the continued exploration of additional funding routes, both private and public; and**
- 1.3 Notes that the business case for the new Performance Arts Venue will be brought to Committee for consideration before the final terms of any construction contracts or funding package can be confirmed and that at this stage, the business case assumes the ongoing use of the Swan Theatre as a community-focused venue.**

2. Background

- 2.1 In December 2020, Worcester City Council was successful in obtaining £17.9m of Future High Street Funding towards regeneration of the Blackfriars area of the city centre from the then Ministry for Housing, Communities and Local Government (MHCLG).
- 2.2 Following the award of the funding, the Council has progressed each intervention and embarked on a programme of activity to develop each project. This Report sets out the progress of the proposed Performance Arts Venue and provides an update from the report presented to Policy and Resources on 6th September 2022.
- 2.3 On 6th September the Committee approved the submission of a planning application for the new Performance Arts Venue, authorised officers to commence procurement for a construction partner for the Arts Venue, authorised officers to explore additional funding routes to meet the costs of the delivery of the new Arts Venue and noted the plans for continuing the dialogue with community arts representatives regarding the future of the Swan Theatre.
- 2.4 *The recommendations approved by Committee were as follows:*
 - 1.1 *approves the submission of a planning application for the new Performance Arts Venue, comprising the former Corn Exchange and Scala Theatre and the Angel Place public conveniences;*

- 1.2 *authorises officers to commence a procurement process to seek a construction partner to deliver the new Performance Arts Centre;*
 - 1.3 *approves the acquisition of a long leasehold interest in 6 Angel Place to support the delivery of the new Performance Arts Centre with terms delegated to the Corporate Director – Finance & Resources in collaboration with the Chair and Vice Chairs of this Committee;*
 - 1.4 *authorises officers to explore additional funding routes to meet the costs of the delivery of the new Performance Arts Centre;*
 - 1.5 *notes that a further report will be brought to Committee for final decisions on the construction contract and funding package early next year; and*
 - 1.6 *notes the plans for continuing the dialogue with community arts representatives regarding the future of the Swan Theatre.*
- 2.5 There has been significant progress on these matters which are set out in this paper. In particular, the proposals for the development of the Performance Arts Venue have been revised in the light of increased costs and more detailed assessment of the needs of potential users of the site. Therefore, the planning application is likely to be altered substantially from that proposed at the Committee of 6th September. This report sets out those revisions and provides Members with an update generally on this complex project as it is progressing.
- 2.6 The recommendations approved by Committee on 6th September still stand, except to the extent they are modified by section 1 above.

3. Preferred Option

Planning Application

- 3.1 The Council have been working closely with their architects, Burrell Foley Fischer (BFF) and Worcester Theatres (operator of The Swan and Huntingdon Hall) to develop a leading Performance Arts Venue that will bring back into use the vacant former Scala Theatre and adjacent Grade II Listed Corn Exchange as a location for theatre, music and other events.
- 3.2 In September 2022 (when Committee last considered this project), the concept design drawings had been completed (RIBA Stage 2) providing a proposed solution to progress to detailed design and planning. The concept provided for a main auditorium providing 500 seats, a studio theatre providing an additional 110 seats and a full package of front and back of house facilities. It was agreed at Committee that this concept could be developed and taken forward as a proposed planning application.
- 3.3 The RIBA Stage 2 concept was developed further in response to comments made by Worcester Theatres and other key stakeholders having particular regard to the positioning of the stage and proscenium to deliver stage facilities acceptable to a diverse range of users and groups. These plans progressed, incorporating strategic engineering requirements and were subject to a rigorous costing estimate by the Council's external quantity surveyors, Equals Consulting. The resultant cost plan far exceeded project budgets.

- 3.4 In recognition of the importance of the Performance Arts Venue to the regeneration of this part of the town centre, it was concluded that the project outputs needed to be revised to ensure cost savings could be identified from the RIBA Stage 2 design options. The most efficient ways of achieving cost savings without compromising the delivery of the main 500 seat auditorium was to be scale back the vision of the Corn Exchange building and remove the studio theatre from this first phase of development of the Performance Arts Venue. (It is anticipated that the studio theatre will form a later phase of development on receipt of additional funding).
- 3.5 The resultant preferred design and engineering options that has been developed for RIBA Stage 3 and are now recommended for approval to submit to planning are as follows:
- The provision of a 500-seat auditorium in the Scala building including supporting front of house and foyer facilities. The auditorium has been developed to offer a flexible stage allowing a range of configurations and a flexible proscenium to support this provision.
 - The development of a new “wedge” block behind the façade of the existing WC facility on Angel Place to provide accessible back of house facilities, wheelchair accessible changing rooms and supporting green rooms for performers.
 - The conversion of the Corn Exchange building through light touch amendments to provide fully accessible WC facilities to support an arts venue providing seating for up to 500 people, food and beverage provision utilising the existing structure of the historic building and the provision of flexible mezzanine spaces to enable flexible uses (recitals, gallery space etc.).
- 3.6 The Stage 3 drawings were presented by the City Council and Worcester Theatres to key cultural stakeholders on 23 November 2022. The revised drawings setting out the flexible stage and proscenium were well received, and feedback acknowledged and supported the significant changes that had been incorporated into the scheme since first presenting to the group in July 2022.
- 3.7 Attached in the **Appendices** are drawings illustrating this preferred option and also an image of the proposed new venue.
- 3.8 It is proposed that the planning application (and application for Listed Building consent) will be submitted to the Local Planning Authority in December or January. Notwithstanding the financial pressures now applying to the project, it is considered advisable to proceed with the planning application; the majority of the preparatory work for the planning application has already been completed and funded by the FHSF grant. The Council’s own funds do not need to be used to the preparation and submission of the planning application.

Funding Update

- 3.9 Figures from the Department for Business, Energy & Industrial Strategy (BEIS) show a 26.4% increase in prices for all construction work since June 2021 (to October 2022), this includes a 46.3% increase in the cost of fabricated structural steel. This has been compounded by a shortage materials and labour. These exceptional circumstances of steep levels of inflation and considerable supply chain challenges are continually assessed to ensure the emerging design solutions provide value for

money and efficiency savings without compromising the vision to deliver a leading Performance Arts Venue in the City.

- 3.10 As set out above, the design proposals for the new Performance Arts Venue have been scaled back and the studio theatre will no longer form part of the initial proposals for the new venue. Whilst this results in some construction cost savings, the budget to deliver the new Performance Arts Venue has nevertheless increased substantially from the submission of the original business plan and the Council continues to explore additional sources of funding to subsidise the development.
- 3.11 A FHSF Project Adjustment Request has recently been submitted to DLUHC to reallocate money from other elements of the original Future High Street award as set out below.
- removal of the costs and benefits linked to the Trinity House intervention as this element is no longer proceeding (the Council was unable to agree a mutually acceptable valuation with the owners of the property)
 - reduction in the scope of the 8 Angel Street (Former Co-op) project with FHSF monies used for land acquisition only. The Council will work with the private sector to bring the site forward for future residential-led development.
 - reduction in the FHSF expenditure on the Vacant Premises Scheme by £100,000 (this is the residual sum remaining following the drawdown of grants for investment on Angel Street and The Cross), reprofiling of project expenditure based on spend to date and forecast, and reduction in associated economic benefits as outputs reduced
 - removal of the costs and benefits linked to the former Panama Jacks intervention as there is no longer a need for this element to proceed with public sector financing (this was previously approved by DLUHC)
 - reallocation of FHSF monies from the Panama Jacks, 8 Angel Street, Vacant Premises Scheme, and Trinity House projects to the Scala Theatre and Corn Exchange project, to provide additional investment in the mezzanine performance space and as a response increased costs.
- 3.12 The reallocation of these funds, if approved, will transfer approximately £6.0m to the Performance Arts Venue development. Whilst the final drawings and plans for the venue are finalised in advance of the submission of a planning application, it is currently estimated that there is a remaining gap of approximately £500,000 in the current budget against the proposed costs of developing the final proposed venue, assuming the Project Adjustment Request is approved by DLUHC.
- 3.13 The Council and Worcester Theatres continue to monitor the availability of public and private sector grants to provide additional funding to the Performance Arts Venue and narrow the projected gap in funding. The project team is currently seeking some dedicated fundraising expertise in order to accelerate the search for charitable or philanthropic support, alongside any formal funding application schemes that can be identified. Because of the heightened cost pressures now applying to this project, the need to make an exhaustive search for additional funding has become more critical to the delivery of the Performance Arts Venue as described in this report.

- 3.14 It should be noted that in the event the Project Adjustment Request is not approved by DLUHC, the design of the Performance Arts Venue would require further amendments to substantially reduce costs further and a complete review of the currently-proposed Performance Arts Venue's deliverability would be necessary.
- 3.15 In September 2022, this Committee authorised the acquisition of the long leasehold interest 6 Angel Place, a building immediately adjacent to the WC block on Angel Place. As a result of the increased cost pressures in delivering the Arts Venue, this investment is still under consideration and will only proceed if cost effective and viable in the overall scheme development.
- 3.16 As noted at the September meeting, the Council submitted an expression of interest to The Arts Council's Cultural Development Fund (CDF) to subsidise the development of the Studio Theatre in the Corn Exchange. Unfortunately, this was unsuccessful. However, the Council is currently preparing an application for Heritage Lottery Funding to support the restoration of the Corn Exchange building; the timescales and prospects of this application are under development at the time of writing this report.

Procurement

- 3.17 The commencement of a procurement process to seek a construction partner to deliver the new Performance Arts Venue was approved by this Committee on 6th September 2022.
- 3.18 This report seeks the continued support to proceed with the procurement of a construction partner to deliver the new proposed venue as set out above. It is proposed that the procurement process starts following the submission of the planning application.

Business Case

- 3.19 In Summer 2021, FEI was commissioned to produce a draft business plan for the Scala and Corn Exchange in advance of detailed plans for the venues, and at a time when there were several options for the City Council to consider for delivery of the project. FEI also contributed to Theatreplan's feasibility study for the project earlier in 2021, this was presented to Policy and Resource Committee in November 2021.
- 3.20 With the revised design aspirations for the Scala and Corn Exchange buildings, the Worcester Theatres board is developing a clear vision for their venues and how they support the cultural aspirations for the city. This vision includes the retention of the existing Swan Theatre and the facilities it currently offers, with a reframing of its use as a venue for community theatre and outreach. Huntingdon Hall will retain a portfolio of its own to complement the two other venues.
- 3.21 The Council and its advisors are currently working closely with Worcester Theatres to develop the operating vision for the venues. There is particular focus on how Worcester Theatres will programme the three spaces, giving each venue a distinct identity and purpose, and programming with consistency and regularity throughout each year.
- 3.22 Connections are being made to professional promoters in music, to regional theatres and dance companies in order to build partnerships for future programming initiatives, having particular regard to the new Performance Arts Venue.

- 3.23 An additional focus of the business plan will relate to the ticketing and communications strategy, as well as to outreach and participation. Alongside this, Worcester Theatres is currently working on its staffing model, taking into account the requirement for staff to potentially work across three venues at certain peak times each year. Further sections on fundraising and development will follow, as well as on the commercial side of the operation (principally food and beverage).
- 3.24 The business plan will include a financial summary and assumptions including the likely subsidy requirement, with due regard to the Council's financial position, but also increased financial stress within the arts sector. It is proposed to include detailed financial projections developing the original work of FEI from September 2021.
- 3.25 Alongside the business plan the Council and Worcester Theatres are preparing a communication strategy document for the public and stakeholders to highlight progress and key milestones in the delivery of the Performance Arts Venue. This includes enhancing communication through online and social media platforms, newsletters and physical branding of the development assets.
- 3.26 The final business case for the new Performance Arts Venue will be presented to this Committee in Spring 2023.

4. Alternative Options Considered

- 4.1 A number of alternative design solutions have been considered both at initial feasibility stage and through detailed design by the architectural team led by Burrell Foley Fischer. These options have also been costed for delivery by external cost consultants. The resultant cost plans have resulted in scaling back the design proposals to improve the deliverability of the scheme proposed in the planning application.
- 4.2 Because of the significant cost pressures applying to this project, and the lack of success so far in identifying additional sources of funding to address these cost pressures, the Council must acknowledge that an alternative option is to pause or stop the planned development of the proposed Performance Arts Venue. This option has become a matter for more serious consideration as revised cost plans have been developed and also when it became clear that the Arts Council funding bid had been rejected.
- 4.3 Unless additional sources of funding are identified, it remains a risk that the proposed Performance Arts Venue will not be affordable to the Council when the procurement process has been concluded and subject to any planning consent that may be granted. This report does not recommend the option of halting at this stage, because of the extensive work which has been completed on the design stages and with stakeholders and bearing in mind that a scheme with planning consent may be more attractive to funders. The preferred option is to proceed towards the outcome of a planning application and the procurement process and development of the operational business case, before reviewing again.
- 4.4 A detailed report would need to set out the implications of pausing or proposing alternative outcomes, because funding commitments have been made to Government under the FHF programme and buildings have been acquired for this purpose.

5. Implications

Financial and Budgetary Implications

- 5.1 The original budget for the Scala and Corn Exchange element of the project, approved in the submission document and agreed with the Department for Levelling Up was £7.242m, of which FHSF Grant funding was £6.517m. The remaining £725k is the Council's contribution arising from income proposed to be derived from the project, including £350k as a projected capital receipt for the Swan Theatre. The decision to retain the Swan Theatre as an asset means that this item of funding may be forgone, in addition to the funding gap of approximately £500k identified in the report, resulting in a total potential deficit of £850k.
- 5.2 The costs of the proposed development outlined in the report are being finalised and will depend upon the outcomes of the procurement exercise. As noted in the report, alternative income sources are being considered to address the potential gap, along with reallocation of uncommitted FHSF grant, which is subject to approval by DLUHC.
- 5.3 The full financial implications will be reported following the procurement exercise and in the light of decisions by Government departments regarding allocations of funding and the result of applications to other funding sources. At this stage the intention is that any remaining funding gap will be mitigated, as far as possible, by re-engineering of the design proposals and/or additional capital funding through capital receipts or borrowing. As noted above, this will be the subject of a separate report to this Committee before any contracts are let.

5.4 Legal and Governance Implications

The project continues to be managed through programme management governance arrangements, with an officer steering group meeting weekly and reports to the Major Programmes Member Reference Group which typically meets once a month. All significant legal implications and potential contractual commitments will be subject to a further Committee decision, programmed for the Spring.

Risk Implications

- 5.5 The risk of the overall cost pressure on the project is explained in the main body of the report. This has become a very significant risk on the project's register. This risk could increase further, pending the outcome of the application to Government to reallocate uncommitted FHSF grant. It could also increase further if other sources of funding cannot be identified and/or if construction costs are forecast to increase again. The steps being taken to mitigate and also manage this risk, are explained in the report. The risk will be fully reviewed when the outcomes of the current workstreams (planning, procurement, funding, business case) are reported back to Committee in the Spring.
- 5.6 There are a number of risks inherent in all property redevelopment. Until detailed survey and design work is completed the potential costs of redevelopment cannot be fully relied upon. The Council would seek to mitigate these risks by working with their architects and cost consultants appointed to deliver the new Performance Arts Venue.

Corporate/Policy Implications

- 5.7 The FHSF is key priority programme delivering the Council's ambitious regeneration priorities as set the in the City Masterplan. This report supports the delivery of FHSF projects and ensures continued progress of the regeneration of Worcester City Centre.

Equality Implications

- 5.8 There are no specific equality implications arising from this particular report; the proposals are intended to ensure that equality diversity and inclusion is central to the design and delivery of projects within the programmes.

Human Resources Implications

- 5.9 There are no immediate direct HR implications arising from the recommendations, however it is important that the senior responsible officer liaises with HR to ensure policy and procedures are followed as the programme progresses.

Health and Safety Implications

- 5.10 None arising directly from the report. The Council will ensure that appropriately qualified contractors are engaged to deliver the works funded through this Scheme.

Social, Environmental and Economic Implications

- 5.11 The recommendations in this report will support the Council's regeneration aims for this part of the city centre.

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Background Papers: None