

## **CABINET**

**11 JULY 2023**

### **CAPITAL ADDITIONS REQUEST – THE BROOK THEATRE REFURBISHMENT AND STRUCTURAL WORKS**

Portfolio Holder: Councillor Naushabah Khan, Portfolio Holder for Housing and Property

Report from: Richard Hicks, Chief Executive

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#### **Summary**

This report requests an addition to the Capital Programme, to facilitate the necessary structural and refurbishment works to the Brook Theatre, to ensure the longevity of a well utilised and iconic community asset. The Brook Theatre was awarded £300,000 from the Future High Street Fund (FHSF) and £6.5m from the Levelling Up Fund (LUF), to deliver improvements to the building, focussing on improvements/ refurbishments to performance and training areas, improving the accessibility of the building and enhancing and modernising the digital offer, ensuring the building is user friendly and fit for purpose for current and future residents and visitors. The LUF and FHSF programmes are being delivered together to ensure maximum efficiencies and benefits.

#### **1. Budget and policy framework**

1.1 It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council, it remains the responsibility of Council to approve schemes for inclusion in the capital programme.

#### **2. Background**

2.1 The works to the Brook Theatre need to progress to meet the FHSF spend deadline of March 2024 and the LUF's spend deadline of March 2025.

2.2 To progress the design, a structural survey was undertaken which identified the need to carry out some immediate repairs, specialist surveys and intrusive

surveys, to inform the level of intervention and remediation required. Council approved on 10 November 2022 an addition to the Revenue budget of £250,000 to undertake the surveys. The outcome of this work to date has identified the need for structural works, which goes beyond the scope of the LUF and FHSF.

- 2.3 The Brook Theatre is a Grade II listed building, and as such requires a high specification of materials to ensure works are in keeping with its original design. This also requires approval from conservation officers and Historic England, to ensure the works do not inversely impact on the building's historic value.
- 2.4 There are two workstreams which are interdependent and require further funding:
- The structural works
  - The LUF & FHSF refurbishment package
- 2.5 To ensure the longevity of the Brook Theatre, the capital commitment for the structural works must be secured and the works undertaken prior to the LUF and FHSF refurbishment works. Additional funding is required to deliver the LUF and FHSF outputs, due to inflation and the increase in construction and materials costs. The grant funding alone is not sufficient to deliver the project. Construction costs have increased on average between 40 – 50% between 2019 and 2023 due to inflation, energy price increases, labour shortages, materials costs, the pandemic and the war in Ukraine. The project is undeliverable with the current budget.

### 3. Options

#### 3.1 **Option 1 – Do everything- additional capital requirement of £14.7m**

3.1.1 Option 1- the full scope of works, this includes; structural works, complete package of accessibility and digital improvements, update the building to current regulations and utilising the full capacity and potential of the space. Subject to capacity and opportunities, the Council will continue to look for opportunities to reduce Council spend within the financial requirement envelope. As the outcome of potential future bids cannot be guaranteed, these works are therefore included in the ask, as outlined in the Exempt Appendix. **This is the recommended option.**

#### 3.2 **Option 2 – Do something - additional capital requirement of £14.15m**

3.2.1 Option 2 follows the same principles as Option 1, however removes desirable items (e.g. toilet reconfiguration to increase capacity and works in nonpublic areas). As with Option 1 the Council will review opportunities to apply for grant funding, subject to capacity and appropriate opportunities, as the future outcomes of the bids are unknown this has been included within the capital additions request.

### 3.3 **Option 3 – Do Minimum - additional capital requirement of £12.17m**

3.3.1 Option 3 significantly limits the accessibility and digital offer to bare minimum, leaving only essential items required to bring the building up to a contemporary standard and meeting the minimum funding outputs. This option does include structural works and improvements to public areas. The full accessibility and digital upgrades are not included and would depend on applications for external funding, should bids be successful, these elements will be added back into scope, which will impact programme and have significant cost implications.

### 3.4 **Option 4 - Do nothing- no capital additions**

3.4.1 Option 4 significantly puts the Brook Theatre at risk, due to the structural integrity of the building, without interventions the theatre cannot continue to operate as it did previously, and the building risks closure or partial closure. The LUF and FHSF (£6.8m) works would not be undertaken.

## 4. **Advice and analysis**

4.1 The first three options presented will meet the funding output requirements for LUF and FHSF, include the same interventions for the structural works and comply to health and safety standards. The structural works are deemed a necessity to keep the building operating safely. Option 4 would not enable any improvements or structural issues to be addressed, which could result in the closure of The Brook.

4.2 Option 1 will enable the full scope of works to be undertaken, ensuring the longevity of the building, maximising the efficiency of the building as a whole and improving operations. Option 1 is the recommended option, it will meet the grant funding requirements and enable the structural repairs to be undertaken. Option 1 will enable the building to be fully accessible, have the full specification of digital and AV enhancements and have all parts of the building configured in the best possible way for its day to day users and visitors. The investment provides a unique opportunity to upgrade the Theatre to its full potential. To undertake these works post delivery of the project would be substantially more expensive.

4.3 Option 2 will enable the majority of works within Option 1 and deliver the full digital and accessibility upgrades. However, elements of the ventilation and reconfiguration of the space will not be delivered, limiting the improvements to the building fabric and operations. There will also be a cost and time implication to enable the design of the elements removed from scope. To retrospectively deliver the items excluded from Option 1 would be intrusive and significantly more expensive than undertaking these works simultaneously.

4.4 Option 3 will prove more costly and create time pressures if the funding is not secured in line with the programme and fitted retrospectively, likely deeming the works unviable. The delivery programme cannot be delayed, due to the

funding requirements. The design would need to undergo multiple iterations to accommodate varying budget options, proving costly and impacting the programme. It is therefore not a practical option to deliver the works to the building.

- 4.5 Option 4 (do nothing), would result in the building or sections of the building to remain closed, it would be difficult to utilise effectively as a community asset. This approach would result in the building deteriorating and risk the building becoming permanently vacant, creating an inactive frontage at a key strategic location within the city centre. This option results in £6.8m grant funding not being utilised for the refurbishment of the Brook Theatre.
- 4.6 Investment in The Brook theatre will ensure it plays its rightful role at the heart of a new vibrant city centre, leading the growth in Chatham’s evening and weekend economy. The Brook will be an inclusive and accessible city centre destination offering an amazing public programme of performances and workshops inside and out, that brings together new residential riverside living, animated public space filled with markets, events and public art and exciting food and social experiences. The Brook theatre can fuel the renaissance of Chatham’s daytime and evening economy with its clubs, classes and professional programme, encouraging residents and visitors to spend more time in the city centre, supporting business and jobs across the hospitality sector and positively impacting on the retail sector.
- 4.7 The Brook will play a vital role in the growth of Medway’s cultural infrastructure and creative sector. It’s remodelling, refurbishment and future proofing will cultivate a flexible and mutually supportive environment where emerging and thriving creative businesses and practitioners can flourish. The creative sector will have access to contemporary, affordable office and co-working facilities alongside digitally enhanced rehearsal, workshop and performance spaces to develop their practice and enhance their business creative work and jobs to support Medway’s creative economy.

## 5. Risk management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
FHSF and LUF project spend not delivered within the allocated timescales	FHSF needs to be spent by March 24 on delivering specific refurbishment outputs, with LUF needing to be spent by March 25 or these grants would not be able to be utilised on these projects	The approval of the Capital Additions request would support the project spend within the funding body programme.	B1
Capital additions request is not approved	If additional funding is not awarded for the structural and refurbishment works, the £6.8m grant funding	The Capital Additions request is added to the Capital Programme.	B1

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
	would be at critical risk for the Brook Theatre. The structural works need to be undertaken prior to the grant funded works and further capital is required to meet the refurbishment outputs, therefore the project cannot proceed without the capital additions.		
Reputational risk	The reputational risk to the Council is significant if the building does not remain operational, the project is high profile due to its strategic location, Grade II listing and importance as a well utilised community asset.	The Capital Additions request is added to the Capital Programme.	A1
Cost increase and long lead in times	There is an element of risk with all structural repair works which will not be known until the works commence. As the building is Grade II listed, value engineering options will be limited. Additionally, costs in the construction market have increased since 2019, with some material costs continuing to increase. The market is also experiencing long lead in times for specific materials/services.	Intrusive structural surveys have been undertaken to reduce this risk, however the risk cannot be completely mitigated. Ongoing QS review of all works along with a risk allowance and early engagement of supply chain.	B2

<b>Likelihood</b>	<b>Impact:</b>
A Very high B High C Significant D Low E Very low F Almost impossible	1 Catastrophic (Showstopper) 2 Critical 3 Marginal 4 Negligible

## 6. Consultation

- 6.1 The project team have consulted with Conservation Officers and will undertake further consultation with Historic England, regarding the design proposals.

## 7. Climate change implications

- 7.1 The installation of the ventilation system provides both heating, cooling and fresh air to the whole building, which is required to mitigate the effects of rising temperatures and provides a comfortable and healthy environment for the public in the theatre, in the performance spaces and also for staff. As part of the climate change emergency re:fit programme, a heat pump, energy efficient boilers and LED lights have already been installed and the refurbishment project will further maximise efficiencies.

## 8. Financial implications

### Option 1

<b>Work Required</b>	<b>Revenue Reserves £</b>	<b>Grant Funding £</b>	<b>Proposed Borrowing £</b>	<b>Total Budget Required £</b>
Intrusive Surveys	250,000	0	0	<b>250,000</b>
Delivery of Capital works inc. risk allowance	0	6,800,000	14,700,000	<b>21,500,000</b>
<b>Funding Summary</b>	<b>250,000</b>	<b>6,800,000</b>	<b>14,700,000</b>	<b>21,750,000</b>

- 8.1 The Brook Theatre was awarded £300,000 from the Future High Street Fund (FHSF) and £6.5 million from the Levelling Up Fund (LUF), to deliver improvements to the building. Issues were then identified with the structural integrity of the building, giving rise to health and safety concerns which needed to be addressed prior to the refurbishment.
- 8.2 In November 2022, the Council agreed £250,000 from reserves to fund a series of intrusive surveys. These identified a requirement for structural repairs. In the meantime, global events impacted on the availability of materials and labour, and drove unprecedented inflation, with the cost of construction projects increasing on average by between 40 – 50% since the feasibility study was carried out in 2019. The additional structural works and the increased cost of the works required to deliver the minimum grant outputs.
- 8.3 Officers advise that it would be best to undertake Option 1 to deliver all the works in one construction package, rather than revisiting them later. These works include a full ventilation system, reconfiguration of the toilets and would deliver a fully accessible and digitally enhanced building. To undertake these works at a later date would be intrusive and significantly more expensive and time consuming.

- 8.4 To account for the unpredictable nature of the current market and any unforeseen issues with the buildings structure, (due to its historic nature), a risk allowance has been allowed for within the Capital additions request.
- 8.5 To deliver all of the works as outlined in Option 1, it would require £14.7m of capital expenditure, over and above the £6.8 million covered by the grants. Officers will look to grant funding from alternative sources, as outlined in the Exempt Appendix. The outcome of future bids cannot be guaranteed, therefore the cost of these works are included within Option 1's capital ask. If external grant funding is secured the full £14.7m will not be drawn down.
- 8.6 The £14.7m would have to be borrowed over 40 years, at a total revenue cost of borrowing of £723,000 per annum. The cost of this borrowing would represent an ongoing pressure against the Council's revenue budget.
- 8.7 The investment to the Brook Theatre would facilitate a higher income generation than previously possible. In addition, works such as the ventilation system will assist with damp mitigation, which will release pressure on the Building's Repair & Maintenance Fund (BRMF) and future maintenance budgets.

## 9. Legal implications

- 9.1 Additions to the capital programme are a matter reserved for Full Council and the Capital additions report will ask Cabinet to recommend that an addition is made to fund the refurbishment of the Theatre.
- 9.2 The redevelopment has utilised grant funding secured through both the Future High Streets programme and the Leveling Up Fund and therefore a failure to deliver on this could result in a breach of the conditions contained within the Grant Determination Agreements for those grants, which could potentially mean that funding needs to be repaid.
- 9.3 Although the potential for repayment of the grants is a significant factor, it does not prevent the Cabinet from declining to make the recommendation to Full Council if they are not satisfied with the information contained within the report.
- 9.4 As the Theatre is a Grade II listed building, carrying out works without the required consents would constitute a criminal offence, therefore it is vital that the Conservation Officer is kept apprised, as detailed above, and that the necessary approvals are sought for any works which are undertaken in due course.

## 10. Recommendations

- 10.1 The Cabinet is asked to recommend Full Council to approve of the addition of £14.7million to the Capital Programme, to be funded from borrowing if no grant funding from alternative sources can be found, as set out in Option 1 at paragraph 3.1.1 of the report.

10.2 The Cabinet is requested to delegate authority to the Director of Place, in consultation with the Portfolio Holder for Property and Housing, in relation to any spend to be incurred on the risk allocation outlined in Table 4 in the Exempt Appendix.

## 11. Suggested reasons for decisions

11.1 Securing the £14.7m funding at Full Council in July, will enable the project to be delivered within the funding bodies spend deadlines, securing the £6.8m investment and ensuring the future and longevity of the Brook Theatre as a key community and cultural facility, in the heart of the city centre.

### Lead officer contact

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### Appendices

Appendix 1 – Exempt Appendix (detailed financial analysis).

### Background papers

None