

7 March 2023		ITEM: 4
Corporate Overview & Scrutiny Committee		
Thameside Centre		
Wards and communities affected: All wards	Key Decision: Key	
Report of: Mark Bradbury, Director of Place		
Accountable Assistant Director: N/A		
Accountable Director: Mark Bradbury – Director of Place		
This report is: public with an exempt appendix which is exempt due to information relating to the financial or business affairs of any particular person (including the authority holding that information).		
Date of notice given of exempt or confidential report: 27 February 2023		

Executive Summary

The future of the Thameside Centre has been the subject of consideration for some time. In July 2021 Cabinet declared the building surplus as part of the Council's 3R's approach to Releasing, Reusing or Retaining property assets.

Following a public campaign to stop the closure and sale of the building, meetings with interested representatives of the community took place on 22 September, 30 November and 13 December 2021. The Portfolio Holders for Regeneration; Strategic Planning & External Relationships and Adults & Communities and various officers represented the council.

In January 2022 Cabinet were advised and noted that there was still significant work required on a business case and issues to be resolved from the council's side. Cabinet agreed to allow time for discussions with community groups interested in taking over operation of the building to establish whether there is a financially sustainable alternative to closure and disposal.

In addition, meetings have also taken place with individuals and groups as part of ongoing engagement to develop a shared Cultural Strategy for Thurrock with partners.

Discussions and meetings continued in early 2022 which led to the submission of an Outline Business Case by a partnership between Thurrock Lifestyle Solutions (TLS) and Thurrock International Celebration of Culture (TICC).

Waltham International College also expressed interest in leasing the building and it was agreed that they should be allowed time to submit a proposal.

Both parties were given the opportunity to review and if appropriate update their proposals following clarification meetings with officers.

This report considers both proposals and other options available to the council and concludes that neither proposal delivers a financially sustainable alternative and closure and disposal of the property with the library and museum being relocated remains the best option for eliminating future financial liability for the building and meeting Medium Term Financial Plan targets.

The challenges facing the Council are well publicised and this report should be read in that context. Future service activity will need to reflect the intervention the Council finds itself in. Particularly difficult decisions will need to be made on levels of service and methods of service delivery during 2023 and beyond.

The Council's financial recovery will be reliant on significant capital receipts from asset disposals in addition to significant revenue savings. The requirements of the s114 Notice that the Council is currently operating under mean that the Council is unable to spend any resources on any item that is not covered explicitly in statute. The 2023/24 Budget report makes explicit reference to the difficult decisions the Council has to continue to make, including further revenue budget savings.

1. Recommendations:

- 1.1 That the Committee notes the Options considered for the future of the Thameside Building and the analysis of those options set out in this report**
- 1.2 That the committee comments on the following recommendations for the future of the Thameside Centre that will be considered by Cabinet at their meeting on 15th March 2023: -**

Cabinet notes the bids from Thurrock Lifestyle Solutions/Thurrock International Celebration of Culture and Waltham International College and thanks them for their efforts to try and offer a financially sustainable alternative for the future of the building.

Cabinet notes the significant concerns regarding both proposals and that neither is recommended as a financially sustainable alternative for the future of the building.

Cabinet approves undertaking consultation on alternative options for delivery of cultural activities and events and on the relocation of the Library and Museum from the Thameside Building to the Civic Offices.

2. Introduction and Background

- 2.1 The Thameside Building opened in 1972 and has housed a Library, Theatre and Museum for many years along with several other council, cultural and community organisations and activities. The Registry Office was also located in the building but relocated to the new Thurrock Town Hall in 2022.
- 2.2 The Thameside Building is now over 50 years old and in recent years there has been a significant lack of investment in the building and its mechanical and electrical fixtures, and this has led to a backlog of investment necessary to continue effective operation and maintain statutory compliance.
- 2.3 In July 2021 it was reported to Cabinet that the annual cost of running the building was more than £500,000 and the capital cost to refurbish the building and carry out all necessary repairs was circa £16 million. With the rise in inflation and construction costs in the intervening period the estimate is now between £18 and £20 million.
- 2.4 Cabinet declared the building surplus on 7th July 2021 (Decision 110568).
- 2.5 Following a campaign against any closure of the theatre and several roundtable meetings with interested members of the community a further decision was made by Cabinet in January 2022 to 'Continue with discussions and the development of a business case that could see a community organisation taking over the Thameside building including the transformation of the building and related cultural services' (Decision 110595).

3. Internal & External Consultation

- 3.1 Following the public campaign referred to above, meetings with interested representatives of the community took place on 22 September, 30 November and 13 December 2021. The Portfolio Holders for Regeneration; Strategic Planning & External Relationships and Adults & Communities and various officers represented the council at these meetings.
- 3.2 In January 2022 Cabinet were advised of the progress made at these meetings and noted that there was still significant work required on a business case and issues to be resolved from the council's side. Cabinet agreed to allow time for discussions with community groups interested in taking over operation of the building to establish whether there was a financially sustainable alternative to closure and disposal.
- 3.3 Discussions and meetings continued in early 2022 and these led to the submission of an Outline Business Case by a partnership between Thurrock Lifestyle Solutions and Thurrock International Celebration of Culture.
- 3.4 In summer 2022 Waltham International College (WIC) also expressed interest in leasing the building and it was agreed that they should be allowed time to submit a proposal. TLS/TICC were informed of this.

- 3.5 Once both proposals had been received and reviewed both parties were given the opportunity to review and if appropriate update their proposals following clarification meetings with officers. A revised proposal was received from TLS/TICC, and further clarification was also supplied by WIC.
- 3.6 Following full consideration of the options (as set out in 4. below) it is proposed that consultation with staff, users, and stakeholders regarding alternative options for the delivery of cultural activity and events in the borough is undertaken.
- 3.7 Consultation on the proposed relocation of the Library and Museum will also be undertaken.
- 3.8 Consultation will commence shortly after the May elections and is expected to run for up to 8 weeks with a mixture of online, face to face and stakeholder panel opportunities to engage.
- 3.9 Staff have been engaged and updated on the options throughout the process but will be included along with users and stakeholders in the consultations referenced above.
- 3.10 Where there are staffing implications there will be formal consultation with affected staff.
- 3.11 Meetings have also taken place with a range of individuals and groups as part of ongoing engagement to develop a shared Cultural Strategy for Thurrock with partners and this will continue.

4. Issues, Options and Analysis of Options

- 4.1 Following receipt of the two proposals referenced above it is considered that the following options are available to the Council:
 - 1.) Close the theatre, relocate the library & museum, and sell the property with vacant possession
 - 2.) Progress a lease to TLS/TICC
 - 3.) Progress a lease to Waltham International College
 - 4.) Retain control of the building, invest in eliminating the maintenance backlog and in the services based there and seek to lease out the remaining space
 - 5.) Do nothing
- 4.2 Options Analysis
 - 1) Option 1 - Close the theatre, relocate the library & museum, and sell the property with vacant possession

Closure and disposal of the building presents the greatest certainty of eliminating future financial liability for the building with the potential for a significant capital receipt.

An independent valuation of the building with vacant possession has been obtained and the details are set out in the exempt appendix. This is considered commercially sensitive at this stage as disclosure could adversely impact the level of bids received following marketing.

This option would require the closure of the theatre. It is proposed that there should be consultation with staff, users and stakeholders regarding alternative options for the delivery of cultural activity and events in the borough.

There will be staffing implications, and these will be the subject of formal consultation with staff.

This option proposes that the library and museum are relocated to the Civic Centre, where there is sufficient surplus space to accommodate it. There are not expected to be staffing implications, but the proposed move will be the subject of consultation with staff, users and stakeholders. Subject to that consultation it is expected that the library move could be completed and completion of a sale of the building would occur by March 2024.

The cost of relocation is estimated at between £800,000 and £1,000,000 and a further contingency sum of 20% should be allowed. This figure will be reviewed following the consultation and if approved funded from capital receipts from property disposal.

2) Option 2 – Progress a lease to TLS/TICC

This option offers the potential to retain a community led cultural hub in Grays town centre linked to a programme of cultural capacity development.

This option retains the library, theatre and museum in the current locations with the operation of the theatre and museum taken over by the proposed tenant and the library continuing to be run by the Council.

The building would be transferred to the bidder via a 25-year lease. The space occupied by the library would be leased back to the Council via a sub-lease. No rent would be payable on either lease, but the Council would be liable for payment of a service charge to the lessee for the maintenance, cleaning and security of the building.

The latest business plan proposes that the Council will support the lessee by providing a £750,000 grant at the start of the lease and revenue funding support totalling £1,000,000 spread evenly over the first 3 years.

There however remain several concerns regarding the bidder's capacity to deliver and the potential for future cost implications to the Council as a result, despite ongoing discussions over many months.

Whilst the business plan includes a sum for annual maintenance, beyond the initial grant from the Council there no provision for major refurbishment or replacement of mechanical and electrical equipment which is considered essential over the 25-year lease life. Failure to ensure the proper repair and maintenance of the building by the tenant could have significant implications for the operation of the library and the future value of a council owned asset.

The proposed tenant projects that income from leasing out space within the building, operating the café and making a modest profit from running the theatre amounts to only 25% to 30% of the estimated cost of operating the building. Their business plan is therefore heavily reliant upon unconfirmed external grant funding from the Community, Trusts and Foundations and Lottery based funders, amounting to over £400,000 per annum from year 4 or approaching £10 million over the lease.

There is therefore a significant risk that the proposed lessee will be unable to meet the ongoing revenue and capital costs of running a dated, complex building and that these liabilities will fall back to the Council through either further requests for financial support or early termination of the lease.

3) Option 3 – Progress a lease to Waltham International College

This option retains the library, theatre and museum in their current location with operation of the library and museum remaining with the Council. The remainder of the building would be used as a college with a mix of further and higher education and some focus on the creative industries.

This option will also require an initial capital contribution to the tenant of £400,000 (by way of reverse premium) from the Council but could deliver a rental income of up to £115,000 per year over a lease term of 25 years.

This proposal was put together in a relatively short period of time and, despite a number of meetings with the bidder, there remains significant due diligence to be carried out by the Council and the Bidder to ensure that the proposal is robust. The Council has yet to see a detailed business plan or cashflow to understand the assumptions made regarding capital refurbishment and maintenance and to understand the likely ongoing cost of operating council facilities in the building. If this option were to be favoured significant further due diligence will be required before a final decision could be confirmed.

The potential net present value (NPV) of the proposed rental stream would be lower than the net capital receipt from a sale after the costs of relocating the library are deducted.

Officers have met with the bidder to discuss the future operation of the theatre and are yet to be satisfied the bidder and its proposed partner have the capacity to run the theatre with a meaningful and sustainable programme.

Concerns have also been expressed regarding the possible impact of another college in Grays on existing course provision and the South Essex Technical University and these have yet to be fully addressed.

An OFSTED Report into WIC following an inspection in July 2022 has rated their overall effectiveness as Inadequate. Several areas including 'The quality of education'; 'Leadership and management' and 'Adult Learning Programmes' have also been rated Inadequate. It is understood that the Mayor of London and other authorities are currently reviewing funding they provide to WIC.

- 4) Option 4 - Retain control of the building, invest in eliminating the maintenance backlog and in the services based there and seek to lease out the remaining space

This option could ensure the ongoing presence of the Library, Theatre and Museum with rental income from leased surplus space contributing towards the overall cost of operating the building.

This option will however require significant capital investment estimated at between £18 and £20 million to address the maintenance backlog, replace or update mechanical and electrical services to reduce operating and utility costs and to create lettable space.

Rents will be relatively low even following this investment and the low net to gross ratio of lettable space, the fragmented nature of the space and the likely tenant mix will lead to high management costs reducing the true net income.

From a high-level analysis of potential income, it is clear that with the cost of borrowing to fund works, minimum revenue provision and ongoing operational costs the return on investment will be negative.

- 5) Option 5 – Do Nothing

Doing nothing increases the maintenance backlog, reduces the potential for alternative options to be viable and does nothing to address current and future revenue implications.

5. Reason for Recommendations

- 5.1 The proposal from TLS/TICC is heavily dependant upon unconfirmed external funding and grants and therefore leaves a significant risk that the proposed lessee will be unable to meet the ongoing revenue and capital costs of running a dated, complex building and that these liabilities will fall back to the Council through either further requests for financial support or early termination of the lease.
- 5.2 Waltham International College have recently received an overall OFSTED rating of Inadequate, with all areas of activity being rated either 'Inadequate' or 'Requires Improvement'. Inadequate is the lowest rating given by OFSTED. There are further concerns regarding the possible impact of a new college on existing provision and the proposed lessee's capacity to deliver a meaningful programme in the theatre. Further details regarding the financial business case will also be required to assess whether the proposal is financially sustainable. It is not considered appropriate to enter into a lease with these concerns outstanding.
- 5.3 Option 1 currently offers the greatest certainty to make savings already identified in the Medium-Term Financial Plan (MTFP) and remove the future liabilities associated with this building. In addition, a market assessment of the potential capital receipt indicates that even after the estimated cost of relocating the library there is a net capital receipt to help address the Council's current financial position.
- 5.4 It is therefore recommended that consultation be undertaken on the proposed relocation of the library and on alternative options for the delivery of cultural activity and events.
- 5.5 Subject to the outcome of the consultation it is proposed that Delegated Authority is given to the Director of Place in consultation with the Leader of the Council to agree the terms and conditions of a disposal.

6. Implications

6.1 Financial

Implications verified by: **Dammy Adewole**
Senior Management Accountant

Following the decision in July 2021, the budget for the building operating and energy costs of the Thameside Complex was reduced by 50% on the assumption that the building would be sold by September 2022. As the building has remained open and unsold the current forecast for the full year of £640,000 is over double the budget and has been further impacted by rising energy costs. This figure includes allowance for forecast income of £62,000 per annum from existing tenants.

Cost Centre	Subjective	Budget 2022-23	YTD		P8 Variance
			Actuals to P8	P8 Forecast	
CL022 - Thameside Complex	Expenditure	391,807	392,151	698,650	306,843
	Income	(31,550)	(33,947)	(62,480)	(30,930)
	Net Budget	360,257	358,204	636,170	275,913

The theatre operating costs (excluding building maintenance, security and energy costs (included in the budget above) are budgeted to be net neutral with income from productions, hires and bar take covering staff and other operating costs. A shortfall is however currently forecast for 2022/23 as shown in the following tables

Total Theatre Budgets: -

Cost Centre	Subjective	Budget 2022-23	YTD		P8 Variance
			Actuals to P8	P8 Forecast	
Theatre	Expenditure	662,246	329,305	607,892	(54,354)
	Income	(669,147)	(394,237)	(542,289)	126,858
	Net Budget	(6,901)	(64,932)	65,603	72,504

Theatre Budgets Breakdown

Cost Centre	Subjective	Budget 2022-23	YTD Actuals to P8	P8 Forecast	P8 Variance
MA030-Arts (Cultural Services)	Expenditure	392,246	256,852	389,307	(2,939)
	Income	(269,147)	(167,042)	(194,789)	74,358
	Net Budget - MA030	123,099	89,810	194,518	71,419
MA031-Thurrock Promotions	Expenditure	270,000	72,453	218,585	(51,415)
	Income	(400,000)	(227,195)	(347,500)	52,500
	Net Budget - MA031	(130,000)	(154,742)	(128,915)	1,085
Total Net Budget - Theatre		(6,901)	(64,932)	65,603	72,504

The receipt from a disposal will be received after costs have been incurred in relocating the library. These costs will need to be financed in the interim from borrowing and this will need to be reflected in the Capital Programme and MTFP.

Further information on the revenue and capital implications for each option is included in the exempt appendix.

Disposal of the property will deliver a significant net capital receipt and revenue savings to support the Council's financial recovery.

Whilst the factors influencing this decision are more than just financial ones, as mentioned in Para 1.10 the financial requirements of the s114 Notice are also material considerations for Members on this subject.

6.2 Legal

Implications verified by: **Helen Graydon**
Principal Property Lawyer

The Council has fairly wide discretion to dispose of its assets (such as land or buildings) in any manner it wishes. When disposing of assets, the Council is subject to statutory provisions, in particular, to the overriding duty, under section 123 of the Local Government Act 1972, to obtain the best consideration that can be reasonably obtained for the disposal. This duty is subject to certain exceptions that are set out in the General Disposal Consent (England) 2003.

Each asset will need to be checked to ensure its formal ownerships and appropriation enable general disposal with terms to be confirmed. A final analysis of the legal title and terms of disposal will be included in the final disposal decision report.

Thurrock Council has a statutory duty to provide a comprehensive and efficient library service to residents. Therefore, to support the proposed relocation of Grays Library, Thurrock Council must be satisfied that the relocation will not adversely affect library service provision in Grays.

When a significant change is being proposed to a service, it is recommended that the Council formally consult with the public to get their opinions on the proposal.

In making this decision the Council must consider the Public Sector Equality Duty (PSED) under Section 149 of the Equality Act 2010. This Act creates a public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

The protected characteristics are age, disability, gender reassignment,

pregnancy and maternity, race, religion or belief, sex, sexual orientation marriage and civil partnership.

6.3 **Diversity & Equality**

Implications verified by: **Rebecca Lee**
Team Manager - Community Development and Equalities

The Council's legal responsibilities in relation to the Equality Act 2010 and Public Sector Equality Duty are outlined in section 7.2.6 of this report. A detailed Community and Equality Impact Assessment (CEIA) will be undertaken and informed by consultation feedback.

6.4 **Other Implications (where significant)** i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

The Thameside is used for a range of purposes including direct service delivery and use by community groups and residents. A number of these activities can be relocated to the Civic Centre/Town Hall either within the relocated library or in the new meeting and community spaces within the Town Hall. The council recognises the value and positive impact culture, arts and heritage can have on the health and wellbeing of residents, and this will be reflected in a new Cultural Strategy.

Staff and volunteers based at the Thameside building have been kept informed of the ongoing considerations about the future of the building since July 2021 including the possible implications for the services where appropriate. They have also been actively engaged in the development of the Cultural Strategy. There will need to be formal consultation with staff in the Theatre team and FM staff based at the building regarding the future of their roles and any resultant redundancies.

7. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

Cabinet Report - July 2021

<https://democracy.thurrock.gov.uk/documents/s30979/Asset%20Review%20Disposals.pdf>

Cabinet Report – January 2022

<https://democracy.thurrock.gov.uk/documents/s33583/Report%20on%20Asset%20Related%20Savings.pdf>

8. **Appendices to the report**

Appendix 1 – **Exempt** as it contains commercially sensitive information regarding the market assessment of value of the property which if published could impact on the price achieved if a decision was made to sell the property.

Appendix 2 – Business Case submitted by Thurrock Lifestyle Solutions and Thurrock International Celebration of Culture

Appendix 3 – Business Case submitted by Waltham International College

Report Author

Mark Bradbury

Director of Place