

9 December 2015		ITEM: 16 01104434
Cabinet		
Thameside Complex Stage 2 Report		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Cllr John Kent, Leader of the Council		
Accountable Head of Service: Matthew Essex, Head of Regeneration		
Accountable Director: Steve Cox, Assistant Chief Executive		
This report is public		

Executive Summary

The Thameside Complex, as the home of the museum, theatre and central library, has been the focus of the Council's approach to arts, culture and heritage since it opened in 1972. In recent years the future of the building has been a recurring topic of discussion. On-going conversations around the age and condition of the building and the limitations it imposes on services attempting to cater for modern tastes and accommodate new technology have been brought into sharp focus by the austerity programme and the need to cut public spending.

To draw these discussions to a close, to allay fears about the future of services and determine a clear direction of travel a comprehensive options appraisal has been carried out. The first stage of the options appraisal was reported to Cabinet in March 2015 and set out a clear vision for each of the services in the building with the exception of the theatre. This second report builds on the first, using findings from the cross-party Task and Finish Group report on the Thameside and business planning work to consider options for theatre provision in more detail. The report sets out an aspiration to build a new, modern theatre in Grays with flexible accommodation better able to generate income and offset costs. The location of any new build in Grays is to be determined through further work including masterplanning which is currently underway, but it is unlikely to be in the same location on the basis that it will make it impossible to maintain continuous service provision.

Recognising that design and development of a new theatre is a medium to long term proposition, the report recommends that the Thameside complex remains open until such time as a new facility is provided, that minor works required to address any health and safety requirements and maintain or enhance the use of the building should continue within existing budgets and that efforts to increase income from the building to offset savings targets should resume.

1. Recommendation(s)

That Cabinet: -

- 1.1 Approve the long term aspiration to build a new theatre in Grays with flexible, adaptable accommodation more suited to modern needs and with the potential to generate a higher income to support the service and reduce the level of subsidy payable by the Council.**
- 1.2 Support the undertaking of further work to develop costed proposals for the new theatre and the other services in the Thameside Complex funded through existing budgets.**
- 1.3 Agree that, while work to develop and implement the preferred option identified through the appraisal continues, the Thameside Complex should remain open and efforts to maximise income generation from effective use of the building in the short and medium term should continue.**
- 1.4 Acknowledge the impact that keeping the existing building open has on the assumptions which underpin the MTFS and the likely requirement for continuing capital expenditure to address health and safety requirements, maintain service levels and to secure commercial income.**

2. Introduction and Background

- 2.1 The Thameside Complex has traditionally been the centre of the Council's approach to arts, culture and heritage. The centre has housed the borough museum, theatre and main Library since opening in 1972 and has become a well-loved part of the cultural landscape, partly for the services it contains and partly for what it represents; a commitment to arts, culture and heritage in Grays - reinforcing its role as the civic centre of the borough.**
- 2.2 The future of the building has been thrown into sharp focus in recent years by the austerity programme and the impact it continues to have on the budgets available to maintain the building itself and support the services it contains. Debates around the building, the austerity programme and the wider implications of a changing arts, culture and heritage landscape have consistently provoked passionate views on all sides. However, the debate has stalled leaving the services in a 40 year old building which is in need of investment and presents real challenges to meeting modern needs. Acknowledging the difficult and complicated decisions to be taken, Cabinet received a report in August 2014 seeking approval, duly given, to undertake a comprehensive options appraisal.**
- 2.3 The Options Appraisal was divided into two stages. The first stage report sought to take the debate back to first principles, clearly setting out the current**

situation and existing plans for the building and for the services it contains. In so doing it sought to dispel some myths and misunderstandings and to focus on those facts that have a particular bearing on the future of the building.

2.4 The key conclusions from stage one of the options appraisal were:

- The demands services are placing on the Thameside complex are changing as they modernise and the savings programme means reductions in budgets will continue.
- The building is over 40 years old and of its time – the design severely restricts the delivery of some services that could not be wholly addressed even with significant investment in the building.
- There is no ‘do nothing’ option. Savings targets mean that doing nothing would lead to the slow demise and closure of the building without alternative provision in place.
- The Library, Museum and Registry Office could be accommodated or delivered in a different way that would be at least equal to, if not better than, the existing offer.
- Community organisations in the building could be helped to find alternative accommodation should it be required once the review of their terms and conditions has concluded.
- The most difficult service to re-house is the theatre. Four options were identified to be explored further in stage two of the options appraisal:-
 - Improving the existing theatre space.
 - Moving to a multi-venue offer where the Council curates a live events programme without a fixed building.
 - A new purpose built theatre on the existing site.
 - A new purpose built theatre on a new site.

In all instances financial viability and appropriate management arrangements would need to be considered.

2.5 Corporate Overview and Scrutiny Committee reviewed these options before they were presented to Cabinet and established a cross party Task and Finish Group to feed into the options appraisal. The Task and Finish Group reported to Cabinet in October 2015 and essentially supported the findings from the stage one report:

- The Thameside building does not meet current needs

- Every effort should be made to modernise the Library, Museum and Registry Office either in the Thameside or another location.
- The issues associated with the current theatre space were recognised, as were the cost pressures on the service. The group recommended that, if cost effective, the theatre should be re-housed in suitable premises that could attract a broader professional offer and support the local arts scene.

2.6 Stage Two of the options appraisal has been undertaken alongside the work of the Task and Finish Group and combines their findings with the outcome of the Stage One work and information generated through further building condition surveys and externally commissioned advice on markets/audiences, theatre options and high level business planning.

3. Issues, Options and Analysis of Options

3.1 The key conclusions drawn from the work undertaken since the Stage One report was published are set out in full within the Stage Two report. The headline findings are summarised below:

Condition of the Thameside Complex

3.2 The broad condition of the Thameside Centre was reviewed within the Stage One report. Subsequent to its completion, a full Condition Survey has shown that the building will require significant capital investment (£1.3m) above and beyond the annual maintenance and repair budget if it is to be retained in the long term. The additional work covers areas including window replacement and roof repairs.

3.3 Even if this work is carried out it will do nothing to tackle some of the limitations on the cultural offer that the accommodation presents – the lack of street frontage, the cramped seating in the theatre auditorium, the lack of wing space or a fly tower. In essence, despite the investment, the theatre wouldn't be able to host anything broader than its current offer.

Changing approach to Arts, Culture and Heritage

3.4 In parallel with the review of the Thameside Complex the Council is developing its approach to arts, culture and heritage. The emerging strategy recognises that the cultural offer in the borough is much broader than the services delivered in the Thameside complex. The emerging strategy will be subject to further consultation however it is likely to require a different mix and type of accommodation than that currently on offer and will seek to support audience development activity with a view to increasing attendance at the existing Thameside which would support any replacement facility.

Operating Models

- 3.5 Some consideration has been given to different operating models for the theatre. Options include:
- Continue with the current operating model through the Council
 - Contract out theatre operation
 - Establish an independent charitable trust and outsource wider cultural activity
 - Invite another charitable trust to run theatre provision
- 3.6 While the operating model would depend on the long term future of the building and the services it contains, the report highlights the potential cost advantages to a theatre managed by a charitable trust or a specialist theatre management company. Further consideration of operating models would need to be taken forward alongside the development of more detailed proposals for a new facility, however the work has highlighted the potential cost advantages of a facility not being directly managed by the Council.

Options for the Theatre

- 3.7 A review of the four options for theatre provision identified at Stage One has been undertaken by specialist theatre design consultancy Charcoal Blue. Their commission included an assessment of the potential audience for theatre provision, build costs associated with each option, high level business planning and the potential to reduce the on-going cost to the Council.
- 3.8 The report concluded that based on the available catchment area and accounting for potential competition, there is potential to grow the theatre audience if new and different productions are staged within a theatre with a larger capacity together with flexible smaller studio and dance space to cater for a wider range of performance such as music and comedy nights.
- 3.9 The review of capital costs and high level business planning for each of the four options recommended in the Stage One report revealed that:
- None of the options generates sufficient income to sustain theatre provision without some form of on-going subsidy from the Council, albeit that the scale of the subsidy varies.
 - A comprehensive refurbishment of the existing theatre could address some issues such as the cramped auditorium, increase seating capacity and provide more flexible accommodation. However these works could cost in the region of £6m and would not address the lack of wing space etc which are critical to broadening the theatre offer. A £6m investment represents a significant proportion of the costs for any new build and the business planning suggests that the resultant venue would require an on-going subsidy of approximately £230,000 per annum.

- The multi-venue offer for theatre provision could reduce or even eliminate ongoing capital commitments (depending on locations used) however it would not support the ambition to retain theatre provision in Grays. It could be difficult to establish the offer and build/retain an audience with no fixed, continuous offer and, with only the box office takings as potential income, it is unlikely to be the cheapest option available to the Council. Business planning suggests that, reflecting the need to carry set up costs for every new production, this option would require a subsidy of £110,000 per annum. This option was also considered relatively high risk on the basis that there are very few similar models currently in operation.
- A new build theatre on any site is the most expensive option in terms of initial capital outlay (estimated at £11m – £15m) however this option represents the best chance of minimising the on-going subsidy from the Council. The business planning work showed that a larger new build theatre with associated facilities could increase income generation and reduce the on-going subsidy to approximately £50,000 per annum.
- It would be impossible to construct a new theatre on the current site without closing the existing building, including the theatre, for a significant period of time to allow for redevelopment. This could be addressed through providing alternative accommodation but no fixed facility has been identified that would be available through the construction period and any alternative arrangements would add additional cost.

3.10 The conclusion to be drawn from the commission is that a new build theatre is most likely to meet the Council's objectives by providing a modern flexible facility better able to cater for a broader range of performances and to generate income that can be used to offset the costs of the venue. Whilst this approach would incur the largest upfront capital cost there is clearly the potential to consider its delivery as part of a larger regeneration scheme which could reduce the cost and/or cross subsidise its provision. Further financial modelling would be required to assess the feasibility of this approach and the opportunity to attract external funding to support the Council's ambition; however it represents the best chance for the Council to deliver a state-of-the-art theatre while minimising the on-going costs of provision.

Theatre Location

3.11 The Cross-Party Task and Finish Group considered the options for the future location of theatre provision and concluded that Grays, as the civic centre of the borough, remained the most appropriate place for a theatre. This was strongly supported by the results of public consultation carried out by the Task and Finish Group to inform their report. The Stage Two report considers the various options in more detail and has similarly concluded that Grays remains the most appropriate location for a range of factors – including continuing to

support the delivery of the Vision for Grays by developing an evening economy and facilitating recreation/leisure uses.

- 3.12 Whilst a new theatre on the site of the Thameside Complex is ruled out on the basis that it would mean the closure of existing services for an extended period of time while demolition and construction took place, no new site has been identified at this stage. The Council is currently developing a masterplan for Grays which it is anticipated will be subject to public consultation in the New Year. The masterplan will consider options for locating a new building within the town alongside consideration of other factors supporting the Vision for Grays such as maximising the value of the riverfront, increasing day time and evening activity and reconnecting the High Street with the southern parts of the town centre.

Conclusions

- 3.13 The work completed for the options appraisal shows that there are no easy option available to the Council. Each presents challenges in terms of programme, cultural offer, capital and on-going revenue costs. However, there is clearly an exciting opportunity to provide a broader and better offer for residents and the many local groups, clubs and societies in the borough dedicated to cultural activity whilst also delivering important elements of the Vision for Grays by developing a new theatre in the town. This proposal needs to be considered in more detail, but the options appraisal intends to draw a line under the current discussions to enable the Council to work with partners and stakeholders on the focussed development of this option.
- 3.14 The masterplanning work already underway in Grays will support the consideration of how the capital cost of a new build can be reduced and/or cross-subsidised by development elsewhere and the new build option presents the best chance for the Council to deliver a modern theatre offer to a larger audience while reducing the on-going subsidy cost.
- 3.15 Recognising that a new build theatre is a long term aspiration, in the short and medium term it is recommended that the existing Thameside offer must be maintained and, where possible, enhanced to ensure that there remains an appetite for cultural activity to support any new facility when it opens. This is particularly important given the proposal to provide a larger auditorium. The report recommends that the Thameside Centre is retained until such time as a replacement facility is provided.

Impact of Conclusions

- 3.16 It is important to consider the impact of the conclusions of the review – particularly in respect of the revenue and capital costs associated with retaining the Thameside Centre. Within the Council's Medium Term Financial Strategy (MTFS) the following assumptions are made in respect of 2016/17 savings from the budgets which currently support the operation of the Thameside Centre:

£75,000	Reduced scope of cleaning contracts and reduced maintenance and utilities in Civic and Thameside
£200,000	Reduction of maintenance costs related to Thameside and associated staff reductions

- 3.17 The first saving of the two is being delivered through wider Corporate activity across the Council estate and so is not considered to be directly impacted by the proposal to retain the Thameside building in the medium term. The second saving was however predicated on a partial closure of the Thameside building which, if the recommendations are supported, would not be progressed. The Stage One options appraisal report considered the potential to make savings from the budgets associated with the Thameside Centre and identified scope to make an immediate £100,000 saving with no impact on current service levels whatsoever. It is proposed that, throughout the remainder of 2015/16, consideration is given to the potential to make further budget reductions in 2016/17 to determine the extent to which the £200,000 target can be achieved through savings.
- 3.18 Outside of the consideration of savings, it is recommended that renewed focus be placed on the potential to generate income from the already vacant spaces within the Thameside Centre. The Stage One report identified more than 500sqm of already vacant space and, through active management and the planned relocation of services, there is the potential to significantly increase this area in the short term. Depending on the nature of the use and the strength of interest, there is clearly potential to put these spaces to income generating uses which would support any shortfall (and potentially exceed) in the £200k saving target. This area needs to be considered in more detail. Whilst it should be noted as a risk to the delivery of the anticipated saving, there is considered to be sufficient potential to generate £200k (either through savings or income) to retain the existing assumption within the MTFs.
- 3.19 Alongside the consideration of the revenue position, it should also be noted that retention of the building will give rise to capital expenditure beyond the day-to-day and planned maintenance budgets which already exist. It is proposed that capital expenditure be considered on the basis of the following headings only:
- Health and Safety related expenditure – it is proposed that an annual health and safety assessment be undertaken to identify any works required to ensure an appropriate environment is maintained for staff and visitors to the building.
 - Expenditure that maintains the current offer – capital expenditure which ensures that the appearance, decoration and operation of the building doesn't materially deteriorate to detriment of the services contained within the building. Examples include repairing damaged seating in the theatre and minor repairs/replacement of damaged items.

- Investment required to secure an income – subject to business case approval, capital works that might be necessary to secure an income from the vacant spaces (partitioning, additional servicing etc).

3.20 It should be noted that, in all cases, capital expenditure will be brought forward through the Council's capital programme and will therefore be subject to Full Council approval. In the event that abnormally expensive works are required to maintain the use of the building it may be necessary to reconsider the approach outlined above.

4. Reasons for Recommendation

4.1 The Thameside complex is an important part of the Council's current arts, heritage and culture offer. However it is acknowledged as an expensive building to operate and the impact of the austerity programme is likely to increase the amount of unused and under-used space in the building.

4.2 The future of the building has been a recurring topic of discussion, brought into sharp focus by the austerity programme. This options appraisal has sought to dispel some of the misunderstanding about the Thameside complex and to collate facts, figures and opinions about the building and the services it contains to inform decision making and set a clear direction of travel.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 Through the development of the first stage of the options appraisal discussions took place with Council services and other occupiers of the building. A high level report on the options appraisal was shared with Corporate Overview and Scrutiny Committee in January 2015 and a full report was taken to Cabinet in March 2015.

5.2 The Task and Finish Group established by Corporate Overview and Scrutiny Committee held a witness day to collect evidence from users of the building or their representatives and a consultation attracted responses from 134 residents. The results of the consultation were used to inform the recommendations the group made to Cabinet in October 2015.

6. Impact on corporate policies, priorities, performance and community impact

6.1 Implementation of the recommendations set out in this report will contribute to delivery of the Council's emerging Culture, Arts and Heritage Strategy and to the delivery of the growth programme for Grays. Further investigation of the preferred option is required however implementation will need to contribute to reducing the cost to the Council of services and its accommodation portfolio.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Strategic Resources Accountant

The potential financial implications of each option are set out in the body of the report. The costs of developing the planning framework for Grays and commissioning financial viability assessments to inform the next stages in the project will be met from existing budgets. Further detailed analysis of the capital and revenue implications of the preferred option will be required to inform future decisions by Cabinet.

7.2 Legal

Implications verified by: **Vivien Williams**
Planning & Regeneration Solicitor

Procurement of services to help inform the next stages in the project will need to comply with the Council's constitution and procurement framework. Further work will be required to understand and take account of the legal implications of the project should the preferred option prove to be viable.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development and Equalities Manager

The Thameside Theatre is the centrepiece of the Council's arts, culture and heritage offer. The services in the building work with the many groups, clubs and societies in the borough that form the back-bone of cultural activity. This report seeks to move the debate on the Thameside forward. While local residents and users of the building have been consulted it will be important to engage broader user groups and the public at large to inform the development of the preferred option.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- None

8. 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):

- 27th August 2014 Cabinet Report – Thameside Complex – Securing Theatre Provision for Thurrock
- 11th February 2015 Cabinet Report – Thameside Complex - Options Appraisal (Stage One)
- Thameside Complex Options Appraisal Stage 2: A Vision for the Future

9. Appendices to the report

- None

Report Author:

Stephen Taylor

Programmes and Projects Manager

Regeneration