

Commissioning and Procurement Executive Committee – 13 September 2022

Subject:	Theatre Royal & Royal Concert Hall Asset Management Plan and Restoration Levy		
Corporate Director:	Frank Jordan - Resident Services		
Portfolio Holder:	Cllr Pavlos Kotsonis – Leisure, Culture & Planning		
Report author and contact details:	Peter Ireson – TRCH Venue Director Peter.ireson@nottinghamcity.gov.uk		
Other colleagues who have provided input:	Maria Balchin, Senior Commercial Business Partner Tom Straw, Senior Accountant Dionne Screamon, Senior Solicitor, Contracts and Commercial Team Sue Oliver, Procurement Category Manager, Places		
Key Decision	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Subject to call-in <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons: <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital		
Significant impact on communities living or working in two or more wards in the City	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Type of expenditure: <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital Considered by Capital Board on 1 August 2022			
Total value of the decision: up to £2.786m			
Wards affected: All			
Date of consultation with Portfolio Holder: 21.07.2022			
Relevant Council Plan Key Outcome:			
Clean and Connected Communities	<input type="checkbox"/>		
Keeping Nottingham Working	<input type="checkbox"/>		
Carbon Neutral by 2028	<input type="checkbox"/>		
Safer Nottingham	<input type="checkbox"/>		
Child-Friendly Nottingham	<input type="checkbox"/>		
Healthy and Inclusive	<input type="checkbox"/>		
Keeping Nottingham Moving	<input type="checkbox"/>		
Improve the City Centre	<input checked="" type="checkbox"/>		
Better Housing	<input type="checkbox"/>		
Financial Stability	<input checked="" type="checkbox"/>		
Serving People Well	<input type="checkbox"/>		
Summary of issues (including benefits to citizens/service users):			
<ul style="list-style-type: none"> • The need to gain approval to spend against the Theatre Royal & Royal Concert Hall (TRCH) Restoration Levy Reserve. • To undertake works over the 6 years 2022/23 to 2027/28 as identified in TRCH's Asset Management plan. • To ensure that the Theatre Royal and Royal Concert Hall are well maintained and meet all appropriate building compliance and health and safety obligations. • To build the Restoration Levy over 6 years to provide match funding towards significant repairs and refurbishments identified for 2028/29. 			

<ul style="list-style-type: none"> • To review and vary the Restoration Levy to ensure that sufficient reserves are maintained. • To use existing frameworks or undertake procurement exercises to secure contractors and ensure best value for all works carried out. • To highlight the challenge of a significant funding shortfall for major works due in 2028/29.
Exempt information: None
Recommendations:
1 To approve spending TRCH's Restoration Levy Reserve on repairs, refurbishments, structural maintenance and development of the Theatre Royal & Royal Concert Hall and its associated assets.
2 To approve the TRCH Venue Director to review and update the Restoration Levy as and when required, taking into account inflation, market tolerance and industry benchmarking.
3 To approve using existing framework contractors or undertake procurement processes as required for the work identified in TRCH's Asset Management Plan.
4 To delegate authority to the Corporate Director of Resident Services to award and sign the contracts for any successful contractors identified following completion of any tender process.
5 To note the addition of up to £2.786m to the Capital Programme 2022/23 – 2027/28.
6 To note that whilst TRCH will build up its Restoration Levy Reserve, significant additional funds will need to be secured for the major works required in 2028/29.

1. Reasons for recommendations

- 1.1 To enable the TRCH Restoration Levy Reserve to be spent on repairs, refurbishments, structural maintenance and development of the Theatre Royal & Royal Concert Hall, and its associated assets.
- 1.2 To approve future reviews of the Restoration Levy which would increase the level of income achieved above that approved in the original DDM (3450)
- 1.3 To ensure that compliant procurement procedures are followed and best value secured.
- 1.4 To highlight that additional funds will need to be secured to supplement the Restoration Levy for major works planned for 2028/29

2. Background (including outcomes of consultation)

- 2.1 In 2018 TRCH commissioned a conditions survey to provide information on the physical, mechanical and electrical conditions of the Theatre Royal and Royal Concert Hall. This survey has been used to inform the creation of an Asset Management Plan which prioritises a schedule of maintenance, repairs and refurbishments at the venue with an estimated spend over the next 6 years of up to £2.786m. The works identified in the Asset Management Plan are predominantly around the following areas:

- Electrical and Lighting;
- Heating and ventilation;
- Fire safety;
- Passenger and goods lifts;
- Stage machinery;
- Structural maintenance.

- 2.2 The schedule of works has been considered by the Capital Board on 01/08/22 and it has been agreed to proceed for consideration by the Commissioning & Procurement Executive Committee.
- 2.3 In order to help fund these works, in 2019 TRCH introduced a Restoration Levy to be included in the face value of the majority of tickets sold at the venue. DDM 3450 approved the introduction of the Levy to deliver an annual income value of approximately £0.500m. This income is placed in a Restoration Levy Reserve which is ring-fenced for repairs, refurbishments, structural maintenance and development of the Theatre Royal & Royal Concert Hall, and its associated assets.
- 2.4 Over time, inflation will devalue the Restoration Levy and its ability to fund works identified in the Asset Management Plan. Although TRCH's Venue Director has authority to vary ticket prices, an increase in the Restoration Levy would raise income above the level previously authorised. Hence there is the need for the Venue Director to be authorised to increase the level of income generated by the Levy as and when required. This would happen following a review, including an assessment of inflation, market tolerance and peer venue benchmarking.
- 2.5 Although DDM 3450 gave approval to establish the Levy and Reserve, further approval is now necessary to spend the Reserve on the programme of works over the next 6 years as set out in the Asset Management Plan.
- 2.6 The Asset Management Plan sets out a programme of works over the financial years 2022/23 to 2027/28, costing up to £2.786m. It is anticipated that the works in these years will be fully funded from the Reserve, whilst at the same time allowing the Reserve to grow to provide match funding for the major work required in 2028/29
- 2.7 It is currently forecast that the major works in 2028/29 will cost in the region of £8m and that £3.3m of this will be funded from the Reserve. This means additional funding of around £4.7m will need to be secured. TRCH has a successful track record of securing external funding and will explore any appropriate funding programmes. A further report will be brought to this committee nearer the time setting out the funding position.
- 2.8 Whilst inflation has been factored into the Asset Management Plan, the volatile and dynamic nature of the market especially post-Covid means that the plan will need to be frequently reviewed and a further conditions survey is being commissioned. Likewise, the plan's schedule may need to be re-profiled in response to any unanticipated deterioration or failure of any plant, equipment or fabric of the venue.
- 2.9 Funds in the Restoration Levy, only mature for use once the performance to which they are related has happened. The profile of the Asset Management

spend will ensure that no funds are spent from the reserve which have not matured.

- 2.10 To deliver TRCH's Asset Management Plan an Asset Management Group has been set up which includes representatives from TRCH and the Council's Building Services Team. All works will either be undertaken by Building Services in-house, by an existing compliant framework contractor or following an open procurement process undertaken with the support of the Council's Procurement Team.

3. Other options considered in making recommendations

- 3.1 Do nothing – this was discounted as the Restoration Levy would continue to grow and not be used for the purposes for which it was established. Works identified in the Asset Management Plan would either have to be funded from elsewhere or not be undertaken putting the future operation of the venue at risk.
- 3.2 Not reviewing the Restoration Levy – this was discounted as inflation will gradually reduce the value of the Levy and its ability to fund the works required in the Asset Management Plan in the future.

4. Consideration of Risk

- 4.1 The following initial risk have been identified for the Asset Management Plan works over the next 6 year. A risk log will be kept and regularly reviewed.

Risk Description	Risk Level	Mitigation
Original Condition Survey was undertaken 2018 meaning figures are likely to be out of date.	Medium	Figures have been adjusted for inflation and a new Conditions Survey will be commissioned as part of the project. The Restoration Levy amount will also be regularly reviewed taking into account the impact of inflation, market tolerance and peer venue benchmarking.
Further Covid variants may lead to the cancellation of Performances and refund of connected Restoration Levy.	Low	The project will only spend up to the amount of the Restoration Levy which has matured when the shows have taken place.
Works overrun and impact on the programme of events at TRCH	Low	Major works will only be programmed in dark periods and/or in the quieter summer period.

5. Finance colleague comments (including implications and value for money/VAT)

- 5.1 This decision seeks approval to incur expenditure totalling £2.786m over a period of 6 years. The expenditure will only be incurred if it is affordable as the expenditure will be resourced from earmarked reserves held for this purpose. Due to the post pandemic recovery and supply chain issues, there are inflationary pressures in the construction / building sector. To ensure the spending plan is affordable, contingency has been included in accordance with the latest guidance.

- 5.2 The earmarked reserves will be replenished each year from the Restoration Levy income included in the majority of tickets sold, and so the amount transferred to reserves will vary each financial year based on the programme of shows and total tickets sold.
- 5.3 The recommendations in this report will not have a negative impact on the Medium term financial plan (MTFP) due to:
- The approved budgets have factored in the transfer to reserves, from the Restoration Levy income subject to the Section 151 officer approval and approval at Executive Board of the year end out-turn report;
 - The cost of repairs and maintenance of the building and operational equipment is factored into the approved annual revenue budget for running costs.
- 5.4 Failure to undertake the planned refurbishments, maintenance and developments would lead to an overspend position. This would be due to:
- Increased cost in relation to reactive repairs, which would also lead to unplanned down time, impacting on the scheduled shows. This would adversely affect the customer experience, and the relationship with Show Promoters if there was a perception of unreliability particularly at a time of great uncertainty in the economy and in particular in the cultural sector;
 - Reduced income generation. The 2022/23 approved MTFP for TRCH includes a budgeted income target of £5.064m following settlements with Promoters, and this includes £1.689m covid pressure funding. The pandemic had a significant impact on the entertainment sector due to long periods of closure, and the nature of the pandemic adversely affected consumer confidence. In recognition of this, the final year of covid pressure funding is expected to be 2024/25 (£0.243m), so that by 2025/26 the budgeted income target is forecast to be £6.753m (at August 2022 prices and subject to MTFP approval in future years).
 - The TRCH is dependent on Touring Companies to host shows, therefore the site needs to remain attractive, fit for purpose and competitive to attract shows, in order to achieve the budgeted income targets.
- 5.5 This project has been approved by the Capital Board Officer meeting and Chair of the Board on 01/08/2022 and 15/08/2022 respectively. Both groups have agreed for this project to proceed for consideration by the Commissioning & Procurement Executive Committee and will be ratified at the September 2022 Capital Board meeting. Following approval, the capital programme will be updated accordingly.

Maria Balchin, Senior Commercial Business Partner, and
Tom Straw, Senior Accountant - 15 August 2022

6. **Legal colleague comments**

- 6.1 The proposals in this report raise no significant legal issues and are supported. The proposal is to utilise the Restoration Levy for the purpose for which it has been collated.

6.2 Spend of the levy must be in accordance with the requirements of the Council's Contract Procedure Rules and Public Contract Regulations 2015 so appropriate procurement processes and contractual documentation must be put in place to establish appropriate arrangements.

6.3 Legal services will support alongside procurement colleagues as required.

Dionne Screaton, Senior Solicitor, Contracts and Commercial – 10/08/22

7. **Other comments**

7.1 Building Services support the TRCH Asset Management Plan and would ask that all works are managed through our Concerto system to maintain a 'Golden Thread' of information against the sites. Advice provided by Trevor Bone, Property Maintenance Manager on 8 August 2022.

7.2 There are no concerns with the recommendations set out within the report. The procurement team are currently working with TRCH and Building Services to define and support the procurement strategy to ensure that all procurement activity is in line with Public Contract Regulations and the Councils Contract Procedure Rules.

Sue Oliver, Procurement Category Manager, Places - 10/08/2022.

8. **Crime and Disorder Implications (If Applicable)**

8.1 N/A

9. **Social value considerations (If Applicable)**

9.1 This decision will positively impact upon the social value to city residents by enabling TRCH to maintain and develop these two iconic city centre buildings, providing an exciting variety of cultural experiences to entertain, inspire and connect people.

10. **Regard to the NHS Constitution (If Applicable)**

10.1 N/A

11. **Equality Impact Assessment (EIA)**

11.1 An EIA is not required as there are no equality impacts relating to this decision. However equality of access consideration will be factored into any restoration and improvement works at TRCH.

12. **Data Protection Impact Assessment (DPIA)**

12.1 A DPIA is not required as no data protection issues arise from this decision.

13. **Carbon Impact Assessment (CIA)**

13.1 A CIA is not required because there are no carbon impacts as a result of this decision. When procuring and undertaking any works funded using the Levy, consideration will to reducing the carbon impact wherever possible.

14. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

14.1 None.

15. Published documents referred to in this report

15.1 None.