
THEATRE ROYAL MARGATE & 19 HAWLEY SQUARE

To: **Cabinet – 20th January 2015**

Main Portfolio Area: **Finance & Estates**

By: **Cllr R Everitt**

Classification: **Unrestricted**

Ward: **All**

Summary: **To seek the agreement of Cabinet to procure an operator for the Theatre Royal Margate and 19 Hawley Square through an OJEU process, offering the combined estates on a long leasehold to support the capital investment required.**

For Decision

1.0 Introduction and Background

- 1.1 The Council acquired the Theatre Royal Margate, one of the oldest working theatres in the country, in 2007 after the previous owners fell into financial difficulties. The District Council were instrumental in setting up a new trust to operate the Theatre (which is listed Grade II*) and acquired the adjacent 19 Hawley Square (listed Grade II) from Orbit Housing Association in 2011, with a view to expanding the Theatre's facilities and improving its sustainability. The second Trust failed in 2012, before plans could be developed.
- 1.2 The Council recognises the strategic value of retaining a historic theatre of such national importance and its role in the continued development of Margate as a cultural destination.
- 1.3 To support the on-going operation of the Theatre Royal Margate, the Council entered into a management agreement with Your Leisure (Kent) Ltd (YLK) in 2012. This interim measure, reviewed annually, allows the Theatre to remain open and to continue to build its audience base. However, a long term arrangement that also addresses the need for significant investment needs to be found in order to secure its future.

2.0 The Current Situation

- 2.1 Both the Theatre and 19 Hawley Square have suffered from a lack of maintenance for many years.
- 2.2 The structural condition of the Theatre Royal is reasonable but deteriorating. The building requires re-roofing and extensive brickwork repairs. Back of house facilities are primitive, front of house facilities virtually non-existent and the Theatre requires re-wiring and a new heating system.

- 2.3 The structural condition of 19 Hawley Square is derelict. The property has been unoccupied for many years and water penetration from the roof over a long period of time has caused extensive damage to its interior, and to the adjacent property. This is currently being addressed through works that the Council is putting in place.
- 2.4 The Council remains responsible for the majority of maintenance costs associated with the Theatre, and provides an annual subsidy for its programme with contributions currently from Kent County Council and the Arts Council. It has sole responsibility for all costs associated with 19 Hawley Square.
- 2.5 The Council are committed to supporting the regeneration of Margate and the wider district. The Theatre Royal is of major historical significance and the Council would like to try to secure a sustainable operating model to enable it to continue as a Theatre.

3.0 Options

- 3.1 The Council does not have the funds to continue subsidising the Theatre to current levels.
- 3.2 The Council could try to sell the freehold of both the Theatre Royal and 19 Hawley Square. However, there is very little market for a poorly maintained Theatre. Whilst a freehold sale may be possible for the Theatre Royal, the uses for it are extremely limited and it may be that the building is bought, closed and then not brought back into use for many years. Margate will lose the opportunity to use the building as part of its regeneration plans. 19 Hawley would be expected to raise a reasonable capital receipt.
- 3.3 The Council have been working with experts to look at operational models that would increase the chances of the Theatre becoming a viable entity. It is agreed that the Theatre requires reconfiguring if it is to increase sales which will only work if the two estates are combined, enabling the Theatre to share space and facilities with 19 Hawley. Subject to planning permission the upper floors of 19 Hawley could be used as hotel accommodation or other commercial use (either run directly by the Theatre Operator or by subletting the area) with the profit used to support the Theatre. However, the scale of investment required to realise this ambition is significant and requires a development partner / long-term operator.
- 3.4 The suggested way forward is to package the Theatre Royal and 19 Hawley Square together and to procure through an open procurement process (OJEU) a suitably qualified organisation to gain funding to invest in both properties. This would allow both the existing operator and other professional theatre operators an equal opportunity to bid.
- 3.5 The buildings would be offered on long leasehold, and therefore this requires Cabinet approval. A long lease needs to be offered (in excess of 20 years) to attract investment and to enable long-term planning and fund-raising.

4.0 Corporate Implications

4.1 Financial and VAT

- 4.1.1 Retaining the sites costs the Council in management time, insurance, repairs, capital and health and safety liabilities. Future maintenance costs for the Theatre and 19

Hawley Square are estimated to be in excess of £100,000 per year. Disposal on a long leasehold will therefore deliver significant savings.

4.1.2 VAT advice will be sought prior to going through the OJEU process.

4.1.3 Costs associated with the procurement process will be covered within existing resources.

4.2 Legal

4.2.1 Provided that the disposal of these assets is dealt with through the agreed process there are no residual legal issues.

4.2.2 Planning has confirmed that the Theatre falls under the category of Sui-Generis* A use on its own to which any change of use will require planning permission. Contained within this category are Theatres, Scrap yards, Nightclubs, Petrol stations, Launderettes, Taxi businesses, Amusement centres, Casinos, Large HMOs. There is no permitted change, except casino to D2.

19 Hawley Square has a number of potential uses subject to planning permission

4.3 Corporate

4.3.1 This report has been prepared with reference to the Adopted Disposal Process approved by Cabinet on the 19th November 2014 and the Asset Disposal Paper also submitted to Cabinet on 20th January.

4.3.2 The medium term financial plan (attached to the Asset Disposal Paper) documents the continuing financial constraints that the Council has over the next four years. The Council needs to reduce the corporate portfolio if it is to achieve the financial targets in the financial plan and by reducing the liabilities it will put less pressure on the Council to raise and pass on cost increases for service provision.

4.4 Equity and Equalities

4.4.1 The council's equality duty has been assessed in relation to the elements of this report, but it is not considered that these will compromise the rights and requirements of any group in relation to the adoption of the recommendation.

5.0 Recommendations

5.1 That Cabinet agree to allow officers to follow an OJEU process to procure an operator for the Theatre Royal Margate and 19 Hawley Square. This will ensure that both premises are contractually tied together and offering them on a long leasehold will support the capital investment required. Cabinet also authorises the estates team to progress through the disposal framework.

6.0 Decision Making Process

6.1 This is a key decision which can be taken by Cabinet.

Contact Officer:	Edwina Crowley, Head of Economic Development and Asset Management
Reporting to:	Ged Lucas, Interim Community Services Director

Annex List

Annex 1	Plan showing the Theatre Royal and 19 Hawley Square
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Corporate Consultation Undertaken

Finance	Nicola Walker
Legal	Steven Boyle, Legal Services Manager