

Margate Town Deal Project - Theatre Royal Margate

Cabinet	22 September, 2022
Report Author	Louise Askew, Director of Regeneration
Portfolio Holder	Cllr Reece Pugh, Deputy Leader and Cabinet Member for Economic Development
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Long Term lease of asset over the value of £750,000
Previously Considered by	Cabinet - 20 January, 2015
Ward:	Margate Central

Executive Summary:

As part of the Margate Town Deal the Theatre Royal Margate has an allocation of £2,000,000 to deliver much needed works to the Theatre. This funding will help unlock other public and private match funding in order to develop a hub of performing arts in Margate.

Urgent works are required to safeguard the building, while the Council takes the opportunity provided by the Theatre Royal Margate and 19 Hawley Square to the market to identify an operator and commercial partner.

This is an exciting time for Margate's creative industries and the Theatre provides a significant opportunity to build on the performing arts for Margate and the wider area.

Recommendation(s):

- Give delegated authority to the Director of Regeneration in consultation with the Interim Director of Property to market the proposal for the Theatre Royal and 19 Hawley Square in order to identify an operator/commercial partner.
 - Give delegated authority to the Interim Director of Property and Interim Head of Legal and Monitoring Officer, in Consultation with the Portfolio Holder to negotiate the lease heads of terms and all other ancillary documents.
 - The finalised lease heads of terms and relevant ancillary documents to be brought back to Cabinet for final approval.
- If the expression of interest is successful, approve the submission of a funding application to Arts Council England for the Cultural Development Fund, in partnership with the Cliftonville Cultural Centre. Authorise the Director of Regeneration to agree the final submission documents, based on approval from the S151 Officer.

- Approve the submission of an application for a Development Phase Grant to the National Lottery Heritage Fund. Authorise the Director of Regeneration to agree the final submission documents, based on approval from the S151 Officer.
- Approve the commissioning of the urgent works to the Theatre Royal, as set-out in the surveys completed in 2021 funded from Historic England.

Corporate Implications

Financial and Value for Money

The Council is the Accountable Body for the Margate Town Deal. These responsibilities include, but are not limited to:

- Upholding the Seven Principles of Public Life (Nolan Principles)
- Ensuring decisions are made by the board in accordance with good governance principles
- Ensuring transparency requirements are met
- Monitoring and evaluating the delivery of individual projects
- Submitting regular reports to DLUHC
- Receiving and accounting for the Town's funding allocation

Once the business cases for the Towns Deal projects have been through the council's own assurance and evaluation process, the Section 151 Officer is required to provide an assurance statement to DLUHC as part of the Summary Document, prior to the release of funding.

The Section 151 Officer is required to scrutinise and approve regular monitoring returns (currently six monthly) to DLUHC. These returns will cover total and forecast spend, alongside output metrics.

All the investment and costs associated with the Margate Town Deal are fully funded from external grants and contributions. Governance arrangements will be put in place to ensure all expenditure relating to the interventions will be managed within the total package of support provided, and to ensure there is no risk of financial exposure to the Council.

The Council has a limited budget associated with the Theatre Royal and 19 Hawley Square, but is currently liable for the associated costs relating to the two buildings. 19 Hawley Square was purchased from Orbit Housing with a view to expanding the Theatre's facilities and improving its sustainability. Feasibility studies and engagement with strategic partners has identified that there is a need to provide extended facilities in order to support the financial sustainability of the Theatre Royal, and this is the basis on which the Margate Town Deal project and Business Case was put together, which has been submitted to central government.

Legal

A previous decision was made by Cabinet on 20 January, 2015 to follow an OJEU process to procure an operator for the Theatre Royal and 19 Hawley Square. This process was unsuccessful, and since then the Council has sought external legal advice to identify the best process with which to go out to the market. The external legal advice identified that the Council could go out to the market through a property lease arrangement, to identify an operator. This is on the basis that the lease arrangement that the Council intends to grant to an operator in respect of the Theatre Royal Buildings because the Council would not be exercising a 'decisive' influence over the design of any works planned for the buildings; and the services that an operator would providing when it is running the theatre are not statutory services that the Council would otherwise have to provide.

There are no legal implications arising directly from this report, legal support will be required in the development of lease arrangements, and any grant conditions.

Risk Management

Through the development and delivery of previous regeneration projects, the Council has established the apparatus and experience for reviewing and managing the various key risks of delivering large capital programmes, including those which rely on ongoing management, improving heritage buildings, and enhancing protected coastal environments.

The Council is responsible for ensuring that there are effective and adequate risk management and internal control systems in place to manage the major risks to which the Towns Fund are exposed. As part of the development of the Theatre Royal Margate Town Deal project Business Case a robust risk register was developed. The register is a live document and we will seek to update it and continue to use it as an Action Plan.

The Risks identified in the Risk Register as "High" will be reviewed regularly, and those that provide a risk to the Council will be on the Councils corporate risk register.

Through the monitoring and evaluation process for the Margate Town Deal the Town Deal Board will review the risk register regularly, and the most significant risks are shared with the Department of Levelling Up, Housing and Communities on a six monthly basis in the monitoring and evaluation reports.

Corporate

Thanet District Council is the accountable body for the Margate Town Deal, however there is a Town Deal Board in place made up of statutory, community and business representatives who were responsible for signing off (alongside the Council) the Margate Town Investment Plan, and now the business case Summary Documents. The Board has been in place for just over two years.

The Margate Town Deal supports the Council's corporate priority for Growth, including encouraging the rejuvenation of our high streets and town centres, creating new opportunities to gain skills and therefore employment and continuing to support the growth of the visitor economy. The Council also corporately understands the need to make better use

of our assets where possible, particularly if we can deliver regeneration outcomes for the district.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

Corporate Priorities

This report relates to the following corporate priorities: -

- *Growth*
- *Communities*

1.0 Margate Town Deal

1.1 In September 2019, the (now named) Department for Levelling Up, Housing and Communities (DLUHC) announced that 101 towns in England will benefit from part of the £3.6 billion Towns Fund and Margate was one of them . The objective of the Fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through:

- *Urban regeneration, planning and land use*
- *Skills and enterprise infrastructure*
- *Connectivity*

The Government provided a full [Prospectus](#) and [Further Guidance](#), which were used when putting together the Margate Town Deal Board and developing the Town Investment Plan.

1.2 The Margate Town Deal Board submitted the Town Investment Plan on 11 December 2020 following a project call out. The Board then received the Heads of Terms proposal from DLUHC in March 2021, outlining an in principle offer of up to £22.2m investment for the town.

1.4 The Margate Town Deal Board then had a year once the Heads of Terms were agreed and signed to complete a series of Green Book compliant Business Cases for the projects approved within the Heads of Terms.

- 1.5 The Council commissioned external resources to support the development of these technical documents, and worked with delivery partners to develop and submit a suite of Summary Documents in relation to these Business Cases. All of the Margate Town Deal Business Cases, including the Theatre Royal have now been developed and the associated Summary Documents submitted and approved by DLUHC.
- 1.6 The Margate Town Deal Board and Thanet District Council have a shared ambition for the Margate Town Deal investment into projects, that it a) delivers a thriving Margate 365 days of the year and b) it leverages in further investment from other sources. This includes private and other public sources of funding. The joint ambition for Margate is that the Town Deal will be far greater than the sum of its parts.
- 1.7 In the call out for projects in August 2020 the Council and a consortium of local residents, artists, theatre producers both submitted proposals for the Theatre Royal, with the Councils proposal including 19 Hawley Square. The project proposal for the Theatre went through a rigorous sifting process and the Margate Town Deal Board approved to include it in the Margate Town Investment Plan for submission to Government. The principle was understood that to be successful, Margate needs to focus on a theatrical hub for performance and production rather than just a better performing theatre.

2.0 Theatre Royal Margate context

- 2.1 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 and set-up a new Trust to run the Theatre. The Council then acquired 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 following the set-up of a new Trust to take the Theatre forward. It recognised at this time that there were challenges related to the Theatre in supporting its sustainability. Unfortunately, the Trust failed in 2012, before plans could be developed. The Council recognised the strategic value of retaining the historic theatre of national importance and understood its role in the continued development of Margate as a cultural destination.
- 2.2 On [20 January, 2015 Cabinet](#) approved for officers to procure an operator for the Theatre Royal Margate and 19 Hawley Square. This was to ensure that both premises were contractually tied together, and offered on a long leasehold to enable the capital investment that was required. With Cabinet authorising the estates team to progress this through the disposal framework.
- 2.3 The Council entered into an open exercise to engage an operator for the Theatre and used evidence from feasibility work on the viability of the Theatre and 19 Hawley Square to inform the process. Soho Theatres were the preferred bidder, and working with the Council Soho Theatres developed a bid to National Lottery Heritage Fund to deliver an improved theatre alongside community, food and beverage and hotel

space at 19 Hawley Square, along with the potential of improved public realm between the two.

- 2.4 The proposal developed between Soho Theatres and the Council had significant support from the National Lottery Heritage Fund in the submission of their Heritage Enterprise Grant August 2017. Unfortunately the bid to the National Lottery Heritage Fund was submitted at the end of their funding programme and was up against significant competition, it also had limited match funding secured and therefore it was unsuccessful. Despite the bid failing the National Lottery Heritage Fund (previously named Heritage Lottery Fund), are still very supportive of the Theatre Royal proposal. The original bid was put together in a different time, with growth in the sector and residents' demands for cultural activities having grown significantly since then. As a Creative and Cultural Cluster for the Thames Estuary Production Corridor Margate is considered to be one of the places within the Thames Estuary to provide the impetus for growth, diversification and development of the sector.
- 2.5 The National Lottery Heritage Fund has been supportive of the Margate Theatre Royal and 19 Hawley Square project. In order to submit a new application the Council is required to identify an operator who has experience of managing and operating Theatres to help safeguard it for the future.
- 2.5 Officers have engaged with a Steering Group, comprising a number of organisations interested in the operation of the Theatre and 19 Hawley Square to help develop the proposal for the Theatre. It is clear however that the heritage deficit, and required investment in the buildings provides a significant challenge for the private sector.
- 2.6 Theatre Royal Margate is over 200 years old. It is synonymous with Margate and is integral to the town's identity. Restoring a key piece of the town's heritage can unite Margate's old and new communities and enhance community cohesion, with there being no option to 'do nothing'. The Theatre is on the Theatres Trust 'Theatres at risk register' and officers have been working with the Theatres Trust to gain their support, guidance and contacts in the development of the proposal for the Theatre Royal and 19 Hawley Square.
- 2.7 The performing arts sector has been hit hard by COVID- 19. Theatres nationally had a [91% drop in revenue in 2021 and 61% of reopening theatres are operating at a loss](#). The Theatre Royal is underperforming commercially, the lack of food and beverage, rehearsal and green room facilities, and seating capacity are significant barriers to the ongoing operation of the space. It is the second oldest working theatre in the country and has been identified as being of significant historical and heritage value. With 465 seats, it is a mid-scale presenting theatre. It has a strong local base audience and there is a strong affinity for the building and productions that take place there. The building is currently on the Theatres at Risk Register, and the improvements identified will be fundamental to the safeguarding of its long term operation and allowing it to stay in use.

- 2.8 In the development of this proposal significant engagement has also taken place with the Theatres Trust and the National Lottery Heritage Fund to understand opportunities to support the Theatre, including through other funding opportunities. These have been positive discussions with and understanding that the National Lottery Heritage fund is primarily interested in the promotion of inclusion and the involvement of a wider range of people, boosting the local economy, encouraging skills development and job creation and creating better places to live, work and visit.
- 2.9 On 28 April, 2022 the Council took back responsibility of the Theatre Royal from Your Leisure Kent Ltd in order to be able to deliver the Margate Town Deal project. The building remains empty and needs urgent works (which can be delivered through the Town Deal project).
- 2.10 Following the return of the Theatre Royal an approach was made to the Council with a proposal for meanwhile use of the Theatre, in order to keep it open over a period of time whilst the Margate Town Deal project is put together for delivery. However, a number of challenges meant that this was not viable or possible, with the Council wishing to focus on delivering the urgent works to help safeguard the building.

3.0 Theatre Royal Margate Town Deal project

- 3.1 The Theatre Royal requires improvement to accommodate new uses and to enable the space to be used more for creative community and performance uses. It is understood from a costed condition survey by Lee Evans Partnership carried out in 2021 that there is in the region of £2,000,000 of necessary improvements which have been identified to bring the Theatre up to modern standards, with £370,000 of this identified as urgent.
- 3.2 Having established the principle of creating a new operational model and aspiring to create a hub of theatrical production, soft market testing discussions have been held with potential operators. These have given sufficient confidence that once modernised and safeguarded, the Theatre can attract the creative leadership which will enable it to deliver a more diverse programme, and therefore providing enhanced revenues. The Margate Town Deal programme also includes an element of revenue funding to enable engagement and participation with the creative industries. An element of this funding is allocated to the Theatre Royal, and a project lead will be employed.
- 3.3 The Margate Town Deal commitment of £2,000,000 capital funding firstly enables the capital works required to be completed, but also acts as a significant amount of match funding for a broader National Lottery Heritage Fund bid. This is the first time the theatre has had this match funding leverage. The project is seen as a five year project where the Towns Fund and council's commitment of 19 Hawley Square forms the foundation of activity, which will ultimately see us secure a long-term, commercially viable future for quality theatrical production in Margate.

- 3.4 Towns' Fund capital investment will focus on the structure of the Theatre Royal itself, in order that it will have the potential to act as the foundation for a more significant theatre production cluster for the town. The core elements of this investment include the safeguarding of the building, in order to enable further growth of the theatrical creative sector, broaden the night time economy in the centre of Margate, creating opportunities for the community in relation to engagement and participation, and realising the opportunities afforded to Margate through the location of organisations
- 3.5 19 Hawley Square fulfils the need for additional space and can provide a linked income for the Theatre to help provide the security which can enable growth and diversification over the next five years and beyond. It has long been the aspiration of Thanet District Council and the wider community, to see 19 Hawley Square redeveloped in conjunction with the Theatre Royal. 19 Hawley Square is owned by the council and therefore provides an opportunity to provide supporting spaces and income generation linked directly to the commercial operation of the theatre and its financial sustainability.
- 3.6 A special interest group on the Theatre, and the wider performance cause has helped to shape the approach and direct focus, with initial work being around the development of the Margate Town Deal Business Case. This group includes local, national and international individuals and organisations within the sector (including the Theatre's Trust); people who understand the building and its significance, people who have run the Theatre and its programming, and operators. This group will continue to meet as the project moves towards delivery and will support the development of the delivery plan and the next steps.
- 3.7 The Council's ownership of 19 Hawley Square enables the development of a complementary offer, which aims to contribute an income to the Theatre Royal and supports the evolution of the theatrical production sector in Margate. The Theatre Royal forms part of the offer out to the market with the Theatre Royal. In seeking an operator for the Theatre a commercial partner will be required to bring forward 19 Hawley Square. This joining of the Theatre Royal and 19 Hawley Square is a long standing decision, however it is noted that in order to deliver both, match funding will be required by the private sector to enable delivery of 19 Hawley. The Council will be providing match funding for the Town Deal project through the contribution of 19 Hawley Square to support the project, with further match funding from the private sector through investment in the building.
- 3.8 19 Hawley Square was purchased in order to safeguard the future of the Theatre, the Council will therefore not be receiving a receipt for the building (sale or rent), but expects there to be appropriate space within the building to support the provision of food and beverage around performances. The lease agreement for the Theatre Royal and 19 Hawley Square will include a requirement in relation to the completion of works and the amount of space required to provide subsidy to safeguard the Theatre.

4.0 External Funding

4.1 An expression of interest has been submitted to Arts Council England for the Cultural Development Fund with the Cliftonville Cultural Space, with the ambition of developing a performing arts hub across Margate. The Cultural Development funding will enable us to capture the benefits of a growing creative cluster; improve engagement and outreach; and link residents to the growing performing arts provision within the creative sectors. It will focus on harnessing Theatre Royal's potential to act as the foundation for a more significant theatre production cluster. As the Theatre has some space challenges, incorporating the Cliftonville Cultural Space will enable access to space and enable the broader community to engage in the performing arts. The aim of the Cultural Development Funding is to complement the Margate Town Deal project by enhancing performance provision in Margate by providing:

- Food and drink offer proximate to the Theatre to support revenues and audience experience
- Rehearsal space in Cliftonville to enable development of productions locally as well as longer runs from touring companies.
- Studio space at the Cliftonville Cultural Space
- Improved green room and changing rooms
- Residences for artists and performers
- Stronger community engagement with theatre and performance from Margate's most deprived communities.

If the Expression of Interest is successful the full application stage runs from 19 September 2022 until 18 November 2022.

4.2 Officers are developing an expression of interest to the National Lottery Heritage Fund. There are three phases to the National Lottery Heritage Fund grant process for grants which exceed £1m. These involve:

- The submission of an Expression of Interest (providing an indication of the project and to get an initial agreement from National Lottery Heritage Fund that they wish to progress the project).
- If the Lottery gives approval to progress, a Development Phase Application should be submitted, this bid provides funding to gain a better understanding of the costs, resources, timeline and the needs of the audiences. This information once completed will inform the final delivery stage bid. If successful, this stage is expected to take up to a year to complete.
- On completion of the development stage, a further application is made to the National Lottery Heritage Fund for the delivery stage of the project.

4.3 During the development stage the council will be required to engage the operator ahead of submitting the final bid.

4.4 Due to the length of time, and steps required as part of the National Lottery Heritage Fund process, it is necessary to take a phased approach to delivering the Theatre

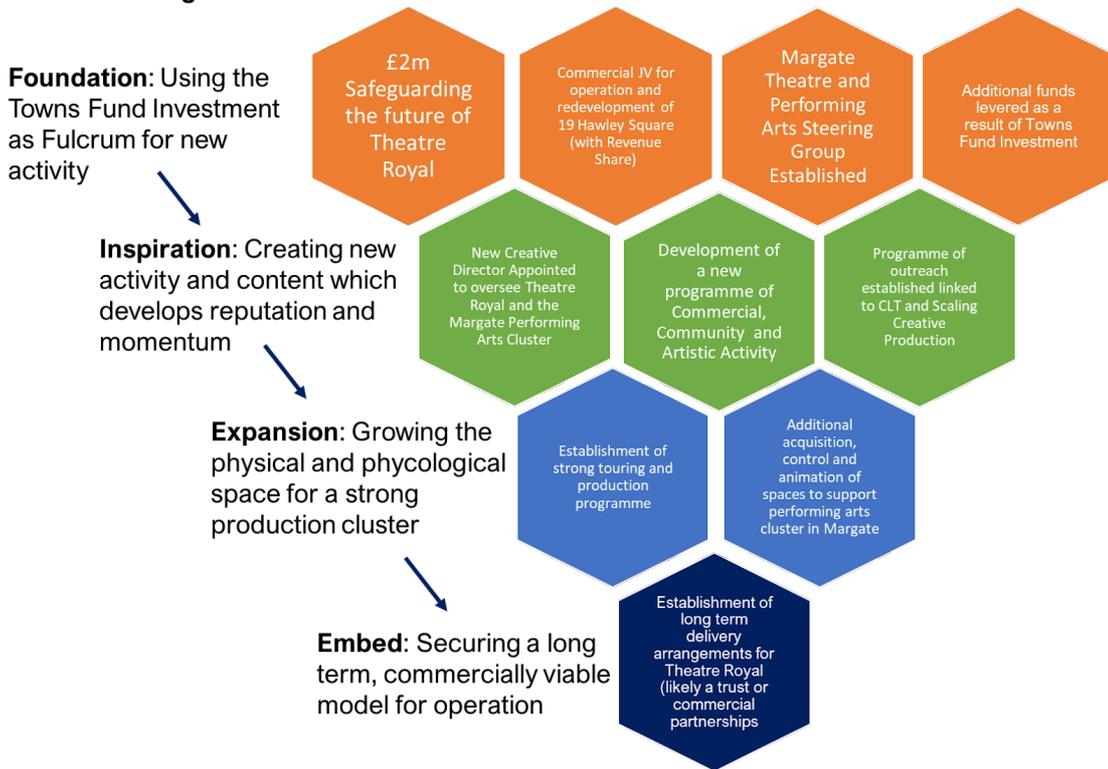
Royal project. The first stage, includes the use of the Margate Town Deal Funds to complete the urgent works, to the value of £370,000 for minor roof repairs, removal of the asbestos stage curtain, and fire protection measures. They also include the provision of a proper ventilation system.

- 4.5 The urgent works can happen relatively quickly and will enable this Grade II* Listed building to be secured whilst working on the development phase for the National Lottery Heritage Fund bid. Once the urgent works have been completed, the next step will be to complete other structure works including; window repairs and decorations, plastering in lime plaster where plaster has failed, and ceiling repairs to the value of c£400,000. These are works that will not impact on the type of operation that is wished to be delivered from the Theatre, but will continue to safeguard the venue.

5.0 Delivering the Vision

- 5.0 The vision is to create a nationally significant performing arts cluster in Margate. The Theatre Royal is well placed to be the anchor for the sector, as Turner Contemporary is for Fine Art. The ambition to safeguard the Theatre Royal has been ongoing for a number of years. This is now possible due to growing interest in Margate, capital investment from Central Government that is able to provide seed/match funding, and willingness from a Council to safeguarded a neighbouring building at their own cost, providing the potential for supporting the sustainable future of the Theatre, through 19 Hawley Square.
- 5.1 There are a number of activities that will need to happen concurrently to support the future of this heritage asset, and significantly important asset to the performing arts. These will be managed by the Regeneration Team, but will include the creation of a Creative Director post through external funding in order to support taking this project forward. The below outlines the inputs required to ensure the Margate Town Deal project is successful.

Creating a Nationally Significant Performing Arts Cluster in Margate



6.0 Options

- 6.1 Just spend £2,000,000 on Theatre Royal, this includes no bids for match funding, no support for ongoing subsidy provision.
- This will likely lead to the failure of the Theatre in the very near future without cross subsidy and more space, and is primarily the reason why the Council is responsible for the Theatre at this time.
- 6.2 Do not include 19 Hawley Square in the Theatre Royal project and look for income sources from elsewhere to support the sustainability of the Theatre.
- This is a challenging task, Officers have engaged with a number of organisations, including the Theatres Trust, theatre operators, theatre performers and experts in the field that have identified the need to secure a long term revenue income into the Theatre to support its sustainability.
 - Without the Council providing this commitment, which has been discussed since the asset was purchased and Cabinet took the decision in 2015, it is likely to be harder to get commitment from other organisations, including the National Lottery Heritage Fund.
- 6.3 Agree to the recommendations, providing delegated authority to the Director of Regeneration in consultation with the Interim Director of Property to market the proposal for the Theatre Royal and 19 Hawley Square in order to identify an operator/commercial partner. Giving delegated authority to the Interim Director of Property and Interim Head of Legal and Monitoring Officer, in consultation with the

Portfolio Holder to complete the lease and all other ancillary documents on the agreed terms, in consultation with the Economic Development Portfolio Holder;

- If the expression of interest is successful, approving the submission of a funding application to Arts Council England for the Cultural Development Fund, in partnership with the Cliftonville Cultural Centre. Authorising the Director of Regeneration to agree the final submission documents, based on approval from the S151 Officer.
- Approving the submission of an application for a Development Phase Grant to the National Lottery Heritage Fund. Authorising the Director of Regeneration to agree the final submission documents, based on approval from the S151 Officer.
- Approving the commissioning of the urgent works to the Theatre Royal, as set-out in the survey in 2021 and the Margate Town Deal summary document.

Contact Officer: *Louise Askew, Director of Regeneration*

Interim Reporting to: *Bob Porter, Acting Corporate Director of Place*

Background Papers

[Margate Town Investment Plan](#)

Corporate Consultation

Finance: Chris Blundell, Acting Deputy Chief Executive

Legal: Sameera Khan, Interim Head of Legal & Monitoring Officer