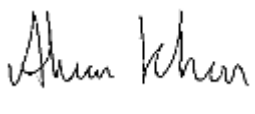


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 13 July 2023	
Report Title	Soho Theatre Walthamstow – Project Delivery and Budget Update	
Cabinet Portfolio	Councillor Ahsan Khan, Deputy Leader (Housing and Regeneration)	
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Wards affected	Hoe St	
Public Access	OPEN except for Appendix 1 and 4 which are EXEMPT in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information, as defined in Part 1, paragraph 3, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest.	
Appendices	Appendix 1 - Project Forecast Cost Outturn [Exempt] Appendix 2 – Climate Change Matrix Appendix 3 - Economic Impact Update Executive Summary Appendix 4 – Commercial Letting Unit C [Exempt]	

1. SUMMARY

- 1.1. This report updates Cabinet on progress in delivering Soho Theatre Walthamstow (the former EMD Cinema) as a significant cultural venue in partnership with Soho Theatre.
- 1.2. Further to the recommendation in the month 2 financial monitor 2022, this report provides an update on construction, programme and forecast costs of delivering the project as this historic landmark Listed Building moves towards completion.

2. RECOMMENDATIONS

- 2.1. Cabinet is recommended to:
 - 2.1.1. Note the updated and increased economic impact assessment and improved forecast to the local economy. Executive summary attached as Appendix 3.
 - 2.1.2. Note the programme and construction update that advises practical completion in Quarter 1 2024.
 - 2.1.3. Agree and note the revised project budget as identified in Appendix 1 (exempt)
 - 2.1.4. Agree and note the letting of Commercial Unit C to Soho Theatre in line with terms identified in Appendix 4 (exempt)
 - 2.1.5. Note the establishment of the Young Persons Bursary Programme.
 - 2.1.6. Delegate authority to the Portfolio Lead Member for Housing and Regeneration, in consultation with the Corporate Director - Property and Delivery, the Strategic Director of Place and the Strategic Director of Resources, subject to commercial negotiation, the final contract sum not to exceed the budget detailed in Appendix 1 (exempt).

3. PROPOSALS

3.1. Background

- 3.1.1. The borough's longstanding ambition to protect this landmark building, build on its history and re-activate it as a leading cultural destination is nearing completion. The theatre has been removed from Historic England's Buildings at Risk register and the Theatre Trust Theatres at Risk register.
- 3.1.2. The forecast Economic Impact of the theatre to the local economy has increased to £46 to £61m over the first 10 years of operation. This is an increase from the business case range of between £34m to 52m.
- 3.1.3. £6.5m of Social Value has been delivered through the construction contract exceeding the £2.2m commitment with 73 job opportunities created. (A further increase from the £3.46m in the Economic Impact Update Summary – Appendix 2)
- 3.1.4. Investment in the restoration of Soho Theatre Walthamstow has formed the foundation for a clear direction of travel for the borough with culture and creativity used as a key transformative approach to deliver economic growth, jobs, local area improvements and improved quality of life for residents with culture seen as fundamental to a healthy society.
- 3.1.5. The Theatre has been the catalyst to the borough's first Cultural Quarter which in December 2022 Cabinet approved the creation of under the Destinations Business Plan.
- 3.1.6. In January 2023 Waltham Forest received £17m from the governments Levelling Up Fund. Of this, £3.8m is directed towards public realm improvements in and around Hoe Street and the High Street. A further

£1.9m towards the external/internal refurbishment of Hatherley Mews for creative workspace and hospitality space. Both awards are directly attributable to the Councils investment in the Soho Theatre Walthamstow project.

- 3.1.7. Direct investment in the borough (to include the delivery of cultural assets) has helped attract the first University to Waltham Forest. The University of Portsmouth London campus will operate from two locations on Hoe Street only made possible by the Councils investment strategy.
- 3.1.8. These outcomes provide the context and rationale for continued investment to Soho Theatre Walthamstow.

3.2. Construction Update

- 3.2.1. Despite on-site challenges considerable progress has been made in the restoration of what was a semi derelict site. New roofs to the auditorium, back of house, community space and commercial unit have been installed, the windows to the Listed Hoe Street facade refurbished, new staircases installed and internal division complete
- 3.2.2. Market conditions for the construction sector remain challenging. Cost price inflation, labour and material shortages and capacity of professional advisors continues to impact the sector.
- 3.2.3. The contractor is known to have suffered supply chain issues as identified and considered in the July 2022 Cabinet Paper on the Impact of Current Market Conditions on Major Capital Programmes. Several sub-contractors working on the project have gone into administration.
- 3.2.4. The revised date for practical completion date is Quarter 1 2024, officers continue to review and monitor but have not yet contractually approved a formal extension to the contract period that fully covers this.
- 3.2.5. During construction a number of site issues were discovered including asbestos, heritage related matters, structural issues, water ingress and completion of the auditorium ceiling. Design development has progressed incorporating changes to support the long-term operation of the building.
- 3.2.6. The contractor has also identified site logistics as impacting the programme with only one entrance for all deliveries of construction materials and removal of waste.

3.3. Programme Update

- 3.3.1. Soho Theatre continue to prepare for opening and have appointed a co-executive Director for Soho Theatre Walthamstow who will play a key role in launching the venue. However, construction delays are negatively impacting their ability to plan with certainty.
- 3.3.2. A range of “soft launch” community focused events will take place within the borough and in parts of the theatre following practical completion

planned from Q1 2024 onwards to celebrate the Theatres restoration. These events will be run jointly by the Council and Soho Theatre.

- 3.3.3. Soho Theatre continue to develop a formal launch and gala opening which is programmed to take place from Q2 2024.
- 3.3.4. The marketing of the commercial units has been re-set aligned to the updated completion date and despite current economic challenges interest remains from both local and national operators.

3.4. Protecting And Maximising the Community Programme

- 3.4.1. Aligned to the original business case any surplus generated by the theatre will be reinvested into the theatre and community programme which will be delivered by Soho Theatre Walthamstow. They will also actively manage the community space within the building for the benefit of all residents. Governance is provided by the Monitoring Committee and financial review is on an open book basis.
- 3.4.2. As identified in paragraph 3.2 the forecast Economic Impact of the theatre to the local economy has increased exceeding the original business case assumptions, and with the construction phase of the project approaching completion, close working has been undertaken with Soho Theatre to protect, maximise and build the community programme over future years of operation.
- 3.4.3. Aligned to the original business case Soho Theatre will deliver and grow a community programme whilst actively managing the community space within the building for the benefit of all residents.
- 3.4.4. In partnership with Soho Theatre Walthamstow, Waltham Forest Council is establishing a Young Person's Bursary Programme. The bursary will create the opportunity for a 19 – 24 year-old resident to experience the Edinburgh Fringe Festival. The bursary will be available to Waltham Forest residents with the ambition to pursue a career in the creative arts. Soho Theatre will curate a selection of shows, visits, and meetings for the successful young people. In total, £30,000 will be made available for the bursary scheme to run for a minimum of five years, with an option to extend if this sum is not spent by 2029.
- 3.4.5. To maximise the opportunity to support the community programme, Soho Theatre Walthamstow will lease commercial unit C in line with the terms outlined in Appendix 4 (exempt) operating the venue as a bar and restaurant. Soho Theatre will reinvest the surplus generated from unit C back into the community programme. This aligns to the overarching principles of the theatre operation with governance provided by the Monitoring Committee on an open book basis.

3.5. Budget Update

- 3.5.1. The current total forecast cost to completion is set out in Appendix 1 (exempt)

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1. Design development has previously been subject to value engineering exercises in order to find improvements and efficiencies. The current position reflects actual discoverables on site and changes introduced following consultation with stakeholders to ensure that the function of the theatre and business case assumptions are not compromised.
- 4.2. Not implementing design changes referenced in paragraph 3.2.5 were considered, however, this would likely lead to risk in obtaining statutory approvals or our operator being unable to deliver their business case assumptions.
- 4.3. Given the complexity of the construction works to best protect the delivery programme it was considered that not undertaking changes would have resulted in further delays and reduced functionality.
- 4.4. Officers continue to attempt to further reduce the impact of the additional costs and have been successful in applying for grants and reviewing and negotiating costs with the contractor.

5. COUNCIL STRATEGIC PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1. The recommendations in this report reflect the Council's strategic priorities set out in previous Cabinet reports including:
 - **15-Minute Neighbourhoods Corporate Framework:** Soho Theatre Walthamstow will play a key role in delivering the Council's new corporate framework, ensuring that our residents have access to the things that matter most to lead a fulfilling, healthy and sustainable life.
 - **Walthamstow Town Centres Objectives** - LBWF has a strong focus on implementation and delivery to ensure the comprehensive revitalisation and regeneration of the Town Centre.
 - **Waltham Forest Growth Commission Objectives** - Consultation with local Waltham Forest residents, identified a strong desire for a visitor and evening economy, which builds on the Borough's cultural assets, and investing in a new iconic cultural attraction to draw people to the borough.
 - **Borough of Culture 2019 and Legacy Strategy** - This Strategy recognises that Waltham Forest possesses a rich heritage to draw upon, and a diverse population which adds variety and appeal to the borough. East London is becoming a hub for creativity, with a recognised increase in artists residing and working in the Borough. The Borough of Culture Legacy Strategy 2019 embraces the EMD facility as a key legacy outcome for future generations.
 - **The Arts Strategy** - defines the Council's Core principles: Get Together, A creative Destination and Enterprise, with clear priorities to enable the Council's ambitions and outcomes for art and culture in Waltham Forest.

- **Night-Time Enterprise Zone (NTEZ)** - As a result of the Mayor convening of a new Night-Time Economy Commission, and the recruitment of a Night-Time Czar, the Council launched a NTEZ developing a strategy to grow a successful night-time economy. Soho Theatre Walthamstow, will be a strong catalyst benefitting from the Night Tube offering later access via the Victoria line, facilitating access to wider night-time markets, and revitalising this section of Walthamstow Town Centre
- **Economic Growth Strategy** - This strategy recognises an opportunity to capture the local knowledge of culture and music industries, to build on the borough's culture, music, and public entertainment investments, to create a vibrant destination, with an excellent range of music and entertainment venues.

6. CONSULTATION

- 6.1. No consultation was necessary in preparing this report as it updates on programme progress in relation to an existing contract and commercial detail between the Council and its contractor and partner.

7. IMPLICATIONS

7.1. Finance, Value for Money, and Risk

- 7.1.1. A financial summary is included in Appendix 1 (exempt).
- 7.1.2. The refurbishment budget has provision for both the theatre and commercial space. The budget will fund all multi-disciplinary fees and professional and technical consultants to develop the design through to completion of the theatre and commercial space.
- 7.1.3. £1.625m of funding has been secured by the project from Historic England and s106 contributions.
- 7.1.4. Included in the budget is a loan for fitout of the theatre and commercial unit C, to be repaid by Soho Theatre Walthamstow over the first 10 years of operation.
- 7.1.5. Included in the Operating Agreement that is being negotiated with Soho Theatre is an agreement to charge a "restoration levy" of £1.00 to £1.50 on ticket prices, which will be returned to the Council on an open book basis. This levy plus the rental from commercial units will be used in part, to fund the borrowing costs for the refurbishment.
- 7.1.6. £3.8m of Levelling Up Funding has been awarded to the area around the theatre and Hoe Street to further support local improvements for which the project was a catalyst.
- 7.1.7. As part of the due diligence process prior to acquisition, refurbishment costs were independently verified by commercial advisors but since this date have been impacted by Brexit and cost price inflation. Intrusive surveys and the appointment of contractors to undertake early enabling works has also identified and mitigated risk issues expected on heritage and refurbishment works of this nature.

- 7.1.8. There are potential financial risks which will be actively managed including:
- Delivery of refurbishment to time, as any delays will increase costs as well as potential borrowing.
 - Procurement of professional services and contractors within the budget envelope.
 - Grant funding not being received, or income from the restoration levy applied to ticket sales or commercial rents being less than current forecasts.
- 7.1.9. To reduce the risk of cost pressures emerging, the project has robust corporate management and governance arrangements to carefully control costs and explore further means of generating return on investment. Any additional budget requirement has been allowed for within the Capital Programme Contingency.

7.2. Legal

- 7.2.1. Under section 45(1) of the Local Government Act 1972 the Council has the power to do anything necessary or expedient for various purposes including the provision of a theatre, concert hall, dance hall or other premises suitable for the giving of entertainments or the holding of dances. This power supports the proposals in this report.
- 7.2.2. The contract between the Council and Willmott Dixon provides the grounds and the mechanism for both extensions of time claims and loss and expense claims to be made, assessed and agreed, or rejected. Any agreed loss and expense claims are added to the contract price. Further details of the claims and the process are contained in Appendix 2 (exempt).
- 7.2.3. The terms of letting of Unit C to be agreed in accordance with the Council's Property Procedure Rules.

7.3. Equalities and Diversity

- 7.3.1. An Equalities Analysis screening template has been completed and there are no negative or adverse impacts.
- 7.3.2. The Council's is defining its future relationship with its operator partner, Soho Theatre, in an Operating Agreement. This identifies opportunities for access to the venue and participation in a range of performance, creative and community engagement activities, targeted at the young, the old and minority groups.
- 7.3.3. This relationship, and opportunities for the community that arise from it, are intended to be monitored and managed via a newly established board that reports to Soho Theatre Trust Board. This will have strong representation and influence from the Council, to keep the venture aligned to the Council's equalities objectives.

7.4. Sustainability (including climate change, health, crime and disorder)

- 7.4.1. The Council sets itself a target of meeting at least the "very good" standard as assessed by the Building Research Establishment Environmental Assessment Method (BREEAM) and is on target to meet this standard with the works progressed to date. As part of the statutory approval process, the

proposals will comply with Building Regulations Part L (conservation of fuel and power) 2013 and have complied as far as practicable with the Council's planning and Development Management policy DM11 seeking reduction in carbon emissions.

- 7.4.2. The proposals to refurbish and adapt this complex Listed Building incorporate enhanced energy efficiency measures contributing the Council's work to tackle the Climate Emergency. A Climate Change Matrix detailing sustainability issues addressed, and quantified effects on CO2 emissions, is attached as Appendix 3. This includes references to site decontamination, better insulation, sustainable urban drainage systems and recycling.
- 7.4.3. In developing proposals opportunity has been taken to ensure that energy consumption is minimised through the specification of energy-efficient fittings, and through the installation of a Building Management System to actively and intelligently control light, heating, and ventilation. Refurbishing a 90-year-old historic Listed Building will inherently present challenges meeting full CO2 reduction compared to a new build project. However, the project has attracted a grant from the Carbon Offset Fund contributing to some of the cost of carbon reducing technologies, and assistance in the form of preferential borrowing rates from the Mayor of London's Energy Efficiency Programme providing financial assistance in meeting some of the remaining costs of reducing carbon emissions. In making this application it was demonstrated that the proposals achieve a reduction in CO2 emissions by 425 tonnes per year compared to 2013 Building Regulations standards
- 7.4.4. The works have little impact on biodiversity, there is limited scope to introduce vegetation, but opportunity has been taken to introduce some trailing plants at roof level to the rear elevation of the building. The new facility is located very close to a major public transport hub at Walthamstow Central and is not anticipated to generate additional car travel. Public transport and cycling are to be encouraged and opportunity taken to supplement existing cycle parking on and close to the site.

7.5. Council Infrastructure

- 7.5.1. The project is delivered from existing resources within the Council's Property and Asset Management Directorate, with support where necessary from external consultants.
- 7.5.2. The completed facility will be managed by the Council's operator partner, Soho Theatre, but the building, including the demises of commercial premises to be let for rental income, will be an asset added to the Council's property portfolio, maintained and managed by the Property and Asset Management Team.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

Soho Theatre Walthamstow/EMD - Update to Strategic & Economic Assessment of 2017 – Inner Circle Consulting – February 2023