



Cabinet Member for Investment, Regeneration & Tourism

Cabinet - 19 September 2019

Property Acquisition and Redevelopment FPR7 – The Palace Theatre

Purpose:	To comply with Financial Procedure Rule No.7 (Capital Programming and Appraisals) - to commit and authorise the addition of new schemes to the Capital Programme.
Policy Framework:	Swansea Bay City Region Economic Regeneration Strategy.
Consultation:	Access to Services, Finance, Legal.
Recommendation(s):	It is recommended that: 1) Cabinet approve the proposed acquisition and redevelopment of the Palace Theatre as part of the WG Building for the Future Programme, the associated Financial Implications and add the scheme to the capital programme. 2) Subject to the approval of an offer of grant funding from Welsh Government, Cabinet authorise the acquisition of the Palace Theatre on the terms set out in this report. The Director of Place, in consultation with the Chief Finance Officer and the Chief Legal Officer, is authorised to negotiate and settle all final terms necessary to progress the transaction and the Chief Legal Officer is authorised to enter into any documentation necessary to deliver this project and protect the Council's interests. 3) Cabinet authorises the Director of place to carry out the appropriate due diligence as part of the proposed purchase so as to satisfy that the condition and purchase price being paid represents best value.
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1.0 Introduction

- 1.1 This report provides background information regarding a private sector led scheme to redevelop the Palace Theatre, High Street, over the past four years and outlines a new proposal for Swansea Council to acquire and redevelop the property as part of Welsh Government's Building for the Future Programme.

2.0 Background

- 2.1 The Palace Theatre is a Grade II listed building designed by Bucknall and Jennings that originally opened as Swansea Pavilion in 1888. It was later converted to a cinema in 1908 (People's Bioscope Palace), and has served as many uses over its lifetime, including as bingo hall, private club and nightclub. During this time some notable stars of screen and stage have performed at the venue, namely Charlie Chaplin, Sir Anthony Hopkins, Morecambe and Wise and Ken Dodd. However, since 2007 it has been unused and in a derelict state, following its later use as a nightclub.
- 2.2 From 2007 onwards the building has descended into an advanced state of dereliction with protective fencing added to secure the building and prevent pedestrians from walking on the pavements around it.
- 2.3 The current owners purchased the building in September 2011 and incorporated The Palace Theatre Trust Ltd with a view to securing grant support and redeveloping the building as a private sector entity.
- 2.4 In April 2014 Swansea Council made a £75,000 grant available against works totalling £110,000 to carry out emergency works, including making the building watertight, removing vegetation and loose brickwork that could be deemed unsafe. Since that time officers Planning and the Economic Development & External Funding team have regularly liaised with the owners to assist with access to grant support to redevelop the building. The current owners also appointed architect Austin-Smith: Lord and cost consultants Faithfull+Gould to undertake surveys, RIBA 1 and 2 designs and cost plans.
- 2.5 In 2016 Welsh Government launched the Building for the Future Programme (BFTF) which would target EU funding (ERDF) at City Centre properties that faced a significant viability gap in being brought back into meaningful economic use. With prominent buildings such as the Palace Theatre meeting the criteria and in a significant state of dereliction they were proposed for BFTF funding support, with the intention of supporting private sector owners/developers to devise and deliver viable schemes. However, whilst the owners of the palace had developed a scheme to RIBA 2, in early 2019 their funding bid to Welsh Government failed.
- 2.6 At a meeting between the current owners, WG and Council officers in May 2019, to review possible next steps, it was determined that given the bid outcome, feedback from Welsh Government and grant funding deadline the only option to progress was for Swansea Council to seek to acquire the

building and progress its own scheme. This would allow the Council to bid for and secure WG grant support and to undertake the redevelopment.

3.0 Proposal

- 3.1 Given the failure to progress a private sector led scheme and the immediate opportunity to secure funding, it is proposed that Swansea Council seeks to acquire the building and submits a business plan to WG to secure the grant funding with a view to redeveloping it into office accommodation. The building would subsequently be managed and operated as a Council asset by the Corporate Property service with the intention of ensuring that the net revenue generated meets the borrowing costs of the Council's capital contribution.
- 3.2 The Council scheme would look to redevelop the building with solely office accommodation and no additional floors, thereby preserving the existing structure and aesthetic. There may be scope to incorporate a partial fourth floor within the existing envelope which could accommodate a conference/theatre space across the third and partial fourth floor. This option will need to be considered as part of the design stage. Consideration will be given to the potential for a community space within the building.
- 3.3 The project will be managed by the Economic Development and External Funding Team (ED&EFT), who will aim to secure the grant funding as part of WG's Building for the Future Programme in September 2019 and will procure the services of a Multi-disciplinary Design Team (MDT) specialising in heritage buildings. This MDT will undertake surveys, detailed designs, planning advice, main contractor tender support and also assist in the project management function following the appointment of the main works contractor. Project governance structures similar to those employed on other ED&EFT capital schemes will be implemented to ensure robust project and grant management is in place. Any design and technical requirements from the end operator, Corporate Property, will also be taken into consideration as part of the design stage.
- 3.4 Assuming the grant bid is successful in September 2019 the design and build programme would commence in October 2019, with the appointment of the MDT. Whilst the design and build programme is estimated to take a maximum of 33-months to complete, the ambition, is to achieve completion as soon as practically possible. This timescale currently allows for a healthy contingency for unforeseen issues. On completion of the build the Corporate Property service will assume the management and day-to-day running of the building as part of its property investment portfolio.
- 3.5 There is a growing demand for high quality office accommodation for tech businesses, creative industries and SMEs in Swansea City Centre. As outlined in the Swansea Central Area Regeneration Framework, Swansea City Centre has poor quality, dated office accommodation which doesn't meet the needs of modern day occupiers. This is further evidence in the South Wales Report 2016 by Jones Lang LaSalle which highlighted that there is only 10,000 sq. ft. of good quality office space currently available within the vicinity of Swansea City Centre (at Langdon House in SA1 Swansea Waterfront).

3.6 Given the demand for quality office space and the opportunity to redevelop a landmark heritage building with grant support it is proposed that this scheme is supported and added to the capital programme. Financial and legal implications are noted in sections 5 and 6 below.

4.0 Equality and Engagement Implications

4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

4.2 An Equality Impact Assessment screening form has been completed in relation to the scheme which is attached at appendix 2. The screening form has determined that a full EIA report will be required. At this point in time it is not possible to undertake a full assessment as the scheme has not yet commenced the design process. Should this report be approved in respect of the committing the required match funding and the overall scheme to the capital programme, and the grant funding bid be successful then a full assessment will be undertaken as part of the design brief.

4.3 A full Equality Impact Assessment will be undertaken by the appointed design team, who will look to scope out equality act and disabled access requirements that will be incorporated as part of the build programme. Community and stakeholder engagement will also form part of the brief. A full EIA report will be presented to cabinet as part of a further FPR7 once the scheme has reached RIBA stage 3, prior to the appointment of a main contractor.

4.4 In line with the Equality Act 2010 and Public Sector Equality Duty for Wales, the City and County of Swansea will ensure that the project adheres to the City and County of Swansea Strategic Equality Plan 2016-2020 meeting the requirements of the authority's procedures.

5.0 Financial Implications

5.1 As referred to above in order to proceed with the proposed scheme Swansea Council would need to acquire the Palace Theatre from its current owners. Discussions are at an advanced stage and are subject to both Cabinet approval and grant award.

6.0 Legal Implications

- 6.1 The Council will need to comply with the terms and conditions attached to any grant funding utilised in conjunction with the regeneration match funding budget identified in this report.
- 6.2 All contracts for works, goods and services necessary to deliver the projects must be procured in accordance with the Council's Contract Procedure Rules and the relevant EU Regulations as appropriate. The contractual liabilities/obligations of the Council and any appointed contractors will be covered by the individual contracts entered into.
- 6.3 All statutory consents required in proposals to utilise the Place Directorate match funding budget will be the responsibility of the Planning and City Regeneration Division.
- 6.4 WG may request that a legal charge is placed on property (Palace Theatre) to ensure that the authority adheres to grant offer terms and conditions for the necessary period to ensure financial risk to the authority is mitigated. A key condition of the grant award is that the property remains as office accommodation (per grant bid) for a period of 10 years post-closure of the Building for the Future Programme.
- 6.5 Where the Council wishes to acquire land, the relevant Responsible Officer must instruct the Director of Place or his nominee to negotiate, settle or confirm the terms of such acquisition after taking into account any relevant statutory provisions or guidance and any advice from the Chief Legal Officer. Any acquisition must comply with the Council's Land Transaction Procedure Rules and generally the terms of any acquisition must be in accordance with the market value of the interest to be acquired and be approved in writing by the Director of Place or his nominee. This report confirms the detail of the valuation of the asset including the benefit to the Council in acquiring design and other related information.
- 6.6 Section 120(1) of the Local Government Act 1972 authorises local authorities to acquire any land for their functions, and for the 'benefit, improvement or development of their area'.
- 6.7 This project is fully compliant with the Well-being of Future Generations (Wales) Act 2015 and will ultimately preserve a heritage asset for future use by the citizens of Swansea. The project objectives align with the Council's obligation to act in a sustainable way demonstrating compliance with the 5 Ways of Working promoted by the Act and will make a significant contribution to the 7 well-being goals.

Background Papers: None

Appendices:

Appendix 1 – EIA Screening Form - The Palace Theatre 190820