

MAIDSTONE BOROUGH COUNCIL

CABINET

DATE: 18TH MAY 2011

**REPORT OF THE ASSISTANT DIRECTOR OF REGENERATION
AND CULTURAL SERVICES AND
THE THEATRE AND EVENTS MANAGER**

1. Hazlitt Arts Centre Works

1.1 Key Issue for Decision

1.1.1 To consider expenditure on essential work to the boilers and the electrical installations with the resultant building regulation works at the Hazlitt Arts Centre (HAC).

1.2 Reason for Urgency

1.2.1 The report is urgent because of the nature of the works and the shortness of the window of opportunity to carry out the works in the summer to minimise the disruption to the programme of the HAC.

1.2.2 The Consultants' report about the replacement and improvement to the mechanical and electrical service installations at the Hazlitt Arts Centre identify the need to carry out works to replace:-

- The boilers and water system;
- The electrical switch gear;
- Associated works.

1.2.2 The works are urgent for the following reasons:-

- The health and safety of staff and contractors;
- Business continuity if the boilers fail;
- The need to do the work in the summer during the scheduled annual summer shut down of the Arts Centre.

1.3 Recommendation of The Theatre and Events Manager

1.3.1 That the boilers and associated pipework and controls, electrical switchgear and mains distribution panels are replaced and enabling health and safety works are carried out all as identified in the report by Mervyn Hayes Consultants set out in Appendix A and at

the approximately costs set out in the Appendix plus a contingency of 10%.

1.3.2 That the necessary urgent works to the HAC are funded from balances, and the monies recouped through either reduced subsidy and/or increased income.

1.4 Reasons for Recommendation

1.4.1 The boilers, associated pipework, controls, air handling systems and electrical installations at the Hazlitt Arts Centre are known to be coming towards the end of their useful life and one boiler has already failed. Maintenance costs and the risk of failure are also increasing. Consultants were appointed to advise on the most efficient way of ensuring the business of the Hazlitt Arts Centre continues and to examine ways of improving energy efficiency and comfort levels.

1.4.2 In the course of the investigation into the operating systems at the HAC the contractor identified potential failure and capacity issues with the main electrical intake board which could necessitate shutting the building down for electrical work to take place which could affect business continuity. There are health and safety concerns about the risk to contractors instructed to work on this equipment. It is therefore recommended that the main board is replaced as part of this work.

1.4.3 The consultant's report confirmed that after over fifteen years of service, in addition to the boiler that has already failed, the remaining three are also at risk of failing and that there is a strong possibility that one or more could fail this winter. The existing boilers are no longer in production and, as a result, it has not been possible to find any replacement parts for the boiler that has failed. Therefore, an efficient heating solution needs to be in place before the heating is turned on for the busy winter season, which includes the pantomime.

1.4.4 The consultant also identified potential problems with the existing pipework and radiators which are over thirty years old. The system was flushed out in the summer of 2010 in the hope of improving heating efficiency, however, this has resulted in exposing weaknesses in the pipework causing leaking in some areas. It is therefore considered expedient to replace the elderly pipework and radiators at the same time as the boiler plant to ensure maximum efficiency of the new system. Additionally modern boilers are recognised to be extremely sensitive and debris from the old pipework could seriously compromise the new equipment.

- 1.4.5 The programme of work detailed in this report will necessitate some essential building works to be undertaken to ensure the health and safety of the contractors and those carrying out any further works or maintenance. The schedule of work that is necessary is attached at Appendix 'A'.
- 1.5 Potential Options
- 1.5.1 The Hazlitt Art Centre houses the only purpose built performance spaces in the Borough and it contributes significantly to the economic (over £2m) and social life of the Town and as such it contributes to the Council's key objectives of boosting the local economy and making the Town an attractive place for residents and visitors.
- 1.5.2 In recognition of the value that the HAC provides to the Town, but also the cost of running it, the Council is in the process of looking at alternative ways of operating it but at a reduced cost. That work is in its early stages and no conclusions on future governance models can be drawn from it. The question of the repairs is also delaying that work, because of the need for detailed advice on future governance.
- 1.5.3 The cost of the urgent works are set out in the report and they are significant and unbudgeted. The options that face the Council are:
- i. Not to carry out the works this risks failure of the heating system and the threats to safety that will rise from not carrying out the works. The failure of the heating system, particularly in winter, is likely to lead to the closure of the Theatre.
 - ii. To close the Theatre – this approach would lose the facility to the Borough and undermine the Council's strategic objectives. It would also result in the loss of staff at the HAC and elsewhere in the Council at a maximum redundancy cost of £195,000, and a recurring minimum residual cost of £206,350 per annum.
 - iii. Delay the repairs until the governance model is resolved. The need to repair the HAC heating and power systems and the consequential cost is unlikely to make the HAC an attractive proposition to any future operator as clearly there is a need to reduce the cost of the operation. Any potential operator would have to achieve a significant income to cover the cost of the repairs either directly or through a loan.

However, an operator other than the Council might be able to obtain some grant funding towards the repair. The risk of system failure would also remain.

- iv. Fund the works from revenue balances. The approved capital programme agreed by Council in March 2011 does not allocate resources to the theatre. The provisional revenue outturn reported elsewhere on this agenda shows a significant favourable variance that will be added to balances for 2011/12. The Medium Term Financial Strategy already predicts revenue balances in excess of the minimum working balance of £2.3m. With the addition of the revenue underspend from 2010/11 to balances the predicted unallocated resources will be in excess of £1.3m and Cabinet could provide funding from balances to carry out this urgent work.

1.5.4 Options (i) and (iii) outlined above risk the failure of the systems and risks to safety and potential closure of the Theatre whilst urgent repairs are carried out which at peak times will create considerable disruption to audiences and loss of income and could cause damage to the Council's reputation.

1.5.5 Options (ii) – the closure of the Theatre – will have financial consequences immediately and into the future, and also erode the Town's economic and social base.

1.5.6 Option (iv) of funding the repairs from balances enables:-

- The HAC to be retained for the future to the benefit of the Borough;
- For the work to be undertaken during the summer causing the least disruption to audiences;
- For any impediment because of the cost of repairs to future governance to be removed.

1.5.7 In relation to recouping the costs of these repairs this should be explored as part of the arrangements for the future governance of the HAC and could take the form of a reduced subsidy and/or a share in the profit over a period of time to be agreed.

1.5.8 It is therefore recommended that Option (iv) is pursued and the repairs set out in Appendix 'A' are carried out, over this summer, and those repairs are funded from balances.

1.6 Alternative Action and why not Recommended

1.6.1 The potential options have been set out above and the effects examined. The reasons for not opting for options (i) to (iii) have been outlined, and it is considered that they are unsuitable alternative courses of action.

1.6.2 It may be possible to shut down the Exchange Studio for the duration of this winter and just heat the Hazlitt Theatre with the remaining three boilers. However, the consultant and the property services section consider that there is a high risk of these boilers failing resulting in a total shut down of the business.

1.7 Impact on Corporate Objectives

1.7.1 Replacing the boilers and associated pipework and controls and main electrical switchgear will ensure that the objectives of superb customer care and efficiency are maintained and that the HAC continues to support the Council’s strategic objectives.

1.8 Risk Management

1.8.1 If the decision is taken not to carry out these works to the boilers and electrical plant at the HAC it is unlikely that the existing plant will be able to heat the building sufficiently for either patrons or artists using the centre and consequently could result in the closure of the building with a risk to reputation because of the disruption to audiences and the loss of the facility to the Borough.

1.9 Other Implications

1.9.1

1.	Financial	x
2.	Staffing	X
3.	Legal	
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	x

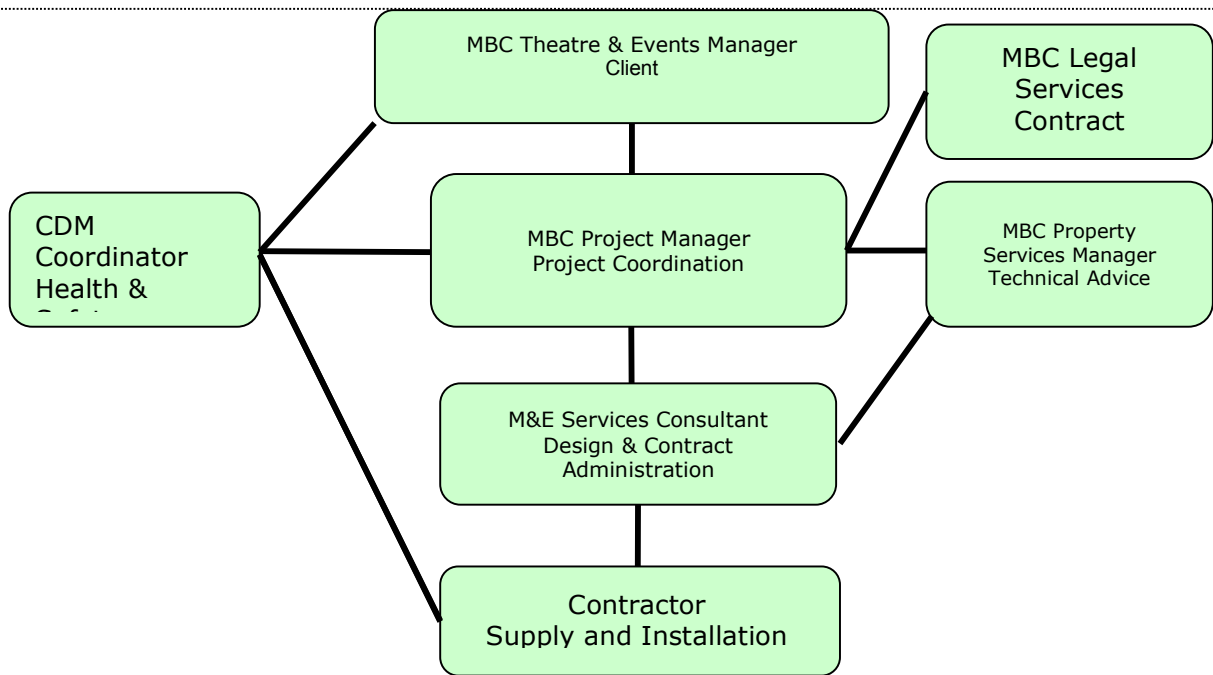
9. Asset Management

x

- 1.9.2 Financial – The cost of the works are set out in Appendix A. It is considered so as to mitigate risk that in addition a contingency of 10% should be allowed to cover any unexpected costs. The proposed method of funding the work and recouping the cost is set out in the report.
- 1.9.3 Procurement – Tendering of the work will comply with the Council’s contract procedure rules, however, a waiver for the appointment of the design team will need to be considered due to the urgent nature of the work.
- 1.9.4 Staffing – if the HAC were closed permanently the need for the staff who run it would not be necessary and therefore its closure would result in their redundancy.
- 1.9.5 Asset Management - Should the recommendations be accepted this will result in the continued operation of the HAC as an asset to the Borough.
- 1.9.6 Appendices
Report of Mervyn Hayes Consultants.

**HAZLITT ARTS CENTRE
M&E SERVICES UPGRADE
PROJECT PLAN
MAY 2011**

Activity	Start date	Period	Notes
Design and specification	16 May 2011	4 weeks	
Design approval	13 June 2011	1 week	
Tender period	20 June 2011	3 weeks	
Tender assessment and approval	11 July 2011	2 weeks	
Mobilisation	25 July 2011	2 weeks	
Construction period	8 August 2011	8 weeks	Venue closed 15 August - 18 Sept
Commissioning	19 September 2011	4 weeks	
Completion	17 October 2011		



**HAZLITT ARTS CENTRE
M&E SERVICES UPGRADE
PROJECT ORGANISATION**

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

April 2011.....

This is a Key Decision because: it involves expenditure of over £250,000

Wards/Parishes affected: All wards.....