

Culture and Communities Committee

10.00am, Thursday, 16 May 2024

King's Theatre Refurbishment Update

Executive/routine
Wards

Executive
All

1. Recommendations

- 1.1 It is recommended that Culture and Communities Committee:
 - 1.1.1 Note progress on the King's Theatre Refurbishment project;
 - 1.1.2 Note that the estimated costs have increased to £37.900m, creating a funding gap of £1.200m to be met by Capital Theatres fundraising;
 - 1.1.3 Note that the estimated completion date is now July 2025; and
 - 1.1.4 Approve the release of capital funding and prudential borrowing totalling £12.000m to Capital Theatres to part finance the refurbishment of the King's Theatre.

Paul Lawrence

Executive Director of Place

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King's Theatre Refurbishment Update

2. Executive Summary

- 2.1 The purpose of this report to provide an update on the refurbishment of the King's Theatre and to seek approval to release of capital funding and prudential borrowing to Capital Theatres totalling £12.000m to allow them to make payments in respect of the refurbishment of the King's Theatre.

3. Background

- 3.1 In February 2018, the Council [agreed](#) to a £4.000m capital contribution to the refurbishment of the King's Theatre and in June 2018 [agreed](#) to make a Prudential borrowing facility of up to £5.000m available, to be repaid by Capital Theatres over a 20-year period. At the budget meeting on 23 February 2023, Council [agreed](#) a further £3.000m capital contribution to the project to help meet inflationary pressures.
- 3.2 As part of the agreement between Capital Theatres and the Council, a long-term lease of the King's Theatre was to be agreed between the parties. Authority to proceed with a 50-year lease was [approved](#) by Finance and Resources Committee on 12 August 2021. The new lease commenced on 13 March 2023 and will terminate on 12 March 2073.

4. Main report

- 4.1 The refurbishment work were tendered and Robertson Construction was awarded the building contract. The total project cost was £35.600m and contract duration 109 weeks, the works commenced in March 2023 with a planned practical completion date of March 2025.
- 4.2 Currently, the contract works are approximately 50% complete. Overall progress has been good, however the discovery of bedrock at the base of a lift shaft and the resultant works that will be required to rectify this issue have resulted in a 12-week delay and an additional cost of £2.300m.
- 4.3 In light of this, the project budget has been revised and approved by Capital Theatres Main Board. The updated budget for the refurbishment works is

£37.900m. This includes allowance for the 12-week extension of time, re-provisioning of client and construction contingencies and provisional sums. The revised practical completion date for the works is forecast to be 14 July 2025.

- 4.4 Funding for the project comprises a combination of grant funding, borrowing facilities, donations from benefactors, fundraising activities, Capital Theatre reserves and ticket development fund. There is currently a funding shortfall of £1.200m based on the revised budget. Capital Theatres continue to fundraise, and the Board is confident that this funding gap will be closed by the completion of the project.
- 4.5 Since the start of the project, the contractor has submitted monthly payment requests which, following certification by the project cost consultant, have been paid by Capital Theatre. Payments made to date amount to in excess of £19.000m (47% of contract value) and have been funded through grants from other organisations, benefactors and Capital Theatre funds.
- 4.6 Payments for 2024/25 are forecast to be in the region of £15.000m and Capital Theatres wish to access the Council allocated capital grants and Prudential Borrowing to assist with funding. Other funders will make up the difference between the Council contribution and the forecast amounts.

5. Next Steps

- 5.1 Following Committee approval, a procedure for drawing down funds will be agreed with Capital Theatres. Drawdowns will be on the basis of evidenced expenditure.
- 5.2 Further reports on progress will be provided to Committee through the Business Bulletin.

6. Financial impact

- 6.1 The report seeks approval for the drawdown of capital grant of £7.000m and a prudential loan of up to £5.000m, representing a total investment of up to £12.000m, which is included in the Council's capital budget for 2024/25.

6.2 The loans charges associated with these payments are set out below:

	Capital Grant	Prudential Loan
Interest Rate	5%	5%
Loan Period	30 years	30 years
Repayment Method	Equal Instalments of Principal	Annuity
Principal Amount	£7,000,000.00	£5,000,000.00
Total Interest	£5,662,061.57	£4,963,827.57
Total Repayment (Principal + Interest)	£12,662,061.57	£9,963,827.57
Average Annual cost	£422,068.72	£331,227.59

6.3 The annual cost associated with the capital grant can be contained within the Council’s corporate loans charges budget.

6.4 The annual cost of the prudential loan will be recharged to Capital Theatres in accordance with a loan agreement. Analysis of Capital Theatres’ business plan for the period up to 2030 demonstrates that the business is forecast to generate enough net revenue to meet the loan repayment. Sensitivity testing shows that the business could be vulnerable to further inflationary cost pressures, but that there are sufficient reserves to manage these pressures. In addition, further fundraising is being carried with a view to reducing loan amount and required repayments.

6.5 The revenue costs associated with operating the refurbished theatre have also been considered within the Capital Theatres’ business plan and can be funded from additional ticket revenue, once the theatre is open.

7. Equality and Poverty Impact

7.1 There are no equality and poverty impacts’ as a direct result of this report. On completion of the refurbishment, the King’s will be fully accessible to all patrons.

8. Climate and Nature Emergency Implications

- 8.1 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council

“must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets”

(Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and

“in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions”

(Nature Conservation (Scotland) Act 2004)

- 8.2 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-27. The Council also declared a Nature Emergency in 2023.

Environmental Impacts

- 8.3 There are no environmental impacts as a direct result of this report.

9. Risk, policy, compliance, governance and community impact

- 9.1 Whilst the report provides forecasts of project costs based on previous performance and conditions existing on 25 March 2024, there remains a risk that changing circumstances and events will result in further pressures on project finances.
- 9.2 All current and emerging risks will be subject to ongoing tracking, development of measures and review for the remainder of the refurbishment.
- 9.3 Financial performance will be tracked by Capital Theatres and the Council to identify and mitigate emerging financial risks.
- 9.4 There are no health and safety, governance, compliance or regulatory implications arising from this report.

10. Background Reading

- 10.1 [King's Theatre Capital Project Update Report](#), Culture and Communities Committee 13 November 2018
- 10.2 [King's Theatre – Request for Additional Funding](#), Finance and Resources Committee 18 June 2018

11. Appendices

None