

Teignbridge District Council
Full Council
Date 17 November 2022
Part i

Future High Street Fund – capital budget increase to mitigate cost inflation related to the Newton Abbot Cinema construction and fit out

Purpose of Report

To seek approval for the additional capital budget required for the construction and fit out cost element of the Newton Abbot cinema project.

Recommendation

The Council RESOLVES to:

- (1) Approve the additional capital budget of up to £600,000 in relation to the Cinema construction and fit out costs.

Financial Implications

The financial implications are to agree a further £600,000 in relation to the Cinema construction and fit out which meet the minimum return requirements as per 2.1 below.

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Legal Implications

No legal implications

Paul Woodhead - Head of Legal Services and Monitoring Officer
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Risk Assessment

Covered in part ii

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Environmental/ Climate Change Implications

There are not considered to be any adverse or beneficial environmental implications related to the additional capital contribution as the scheme remains unaltered.

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Executive Member

Councillor Nina Jeffries

Appendices/Background Papers

1. Introduction/Background

1.1 Members will recall that a key element of the successful Future High Street Fund application is to deliver a new four screen cinema in Newton Abbot Town Centre.

1.2 The project was structured such that the District Council constructs a building shell which is then handed over to the end user, Scott Cinemas, for them to complete the fitout.

1.3 Due to general cost inflation which has occurred as a consequence of external national and international factors there has been increasing pressures on costs and budgets.

1.4 Whilst original budgets allowed for both cost inflation and contingencies, it was not foreseen that inflation would escalate to the extent that it has.

1.5 Officers and the design team consultants have sought wherever possible to bring costs down in a way that avoids any noticeable detriment to the end product.

1.6 However, given the economic and inflationary situation, the Council will need to increase the amount of capital it commits to the scheme in order for the cinema to be delivered.

2. Implications, Risk Management and Climate Change Impact

2.1 Financial

Discussed in part ii. The requirement is to incur a further £600,000 in the Cinema project whilst maintaining the minimum return required.

2.2 Legal

Discussed in part ii.

2.3 Risks

Discussed in part ii.

2.4 Environmental/Climate Change Impact

There are not considered to be any adverse or beneficial environmental implications related to the additional capital contribution as the scheme remains unaltered.

3. Alternative Options

3.1 The FHSF grant money is fully committed and there is no current avenue available to Local Authorities to alleviate the inflationary cost pressures being widely experienced across the Country.

3.2 The cinema element of TDC's FHSF project is considered to be the key 'transformational' part of the scheme and without a further capital contribution from the Council the cinema project cannot proceed.

3.3 The withdrawal of the cinema element would be considered to be a major amendment to the wider project. Consequently, there a real risk that the project would then not be deemed to be of significant enough scale and the funding would be withdrawn.

3.4 Monies paid via the FHSF must be spent by end March 2024, which leaves insufficient time to explore alternative schemes. Major changes to the current scheme must go through a Project Adjustment process which in itself would take in excess of two months.

4. Conclusion

4.1 The external inflationary cost environment has exceeded all reasonable expectations and can no longer be off-set by scheme specific cost savings or contingencies.

4.2 A further capital contribution is deemed vital to enable the cinema scheme to proceed any further. The consequence of not committing the additional capital will place the cinema project in serious jeopardy and at high risk of being undeliverable and will cause the entire FHSF project and its transformational impact on Newton Abbot and its surrounds to become a missed opportunity.