

Octagon update

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Somerset
Council

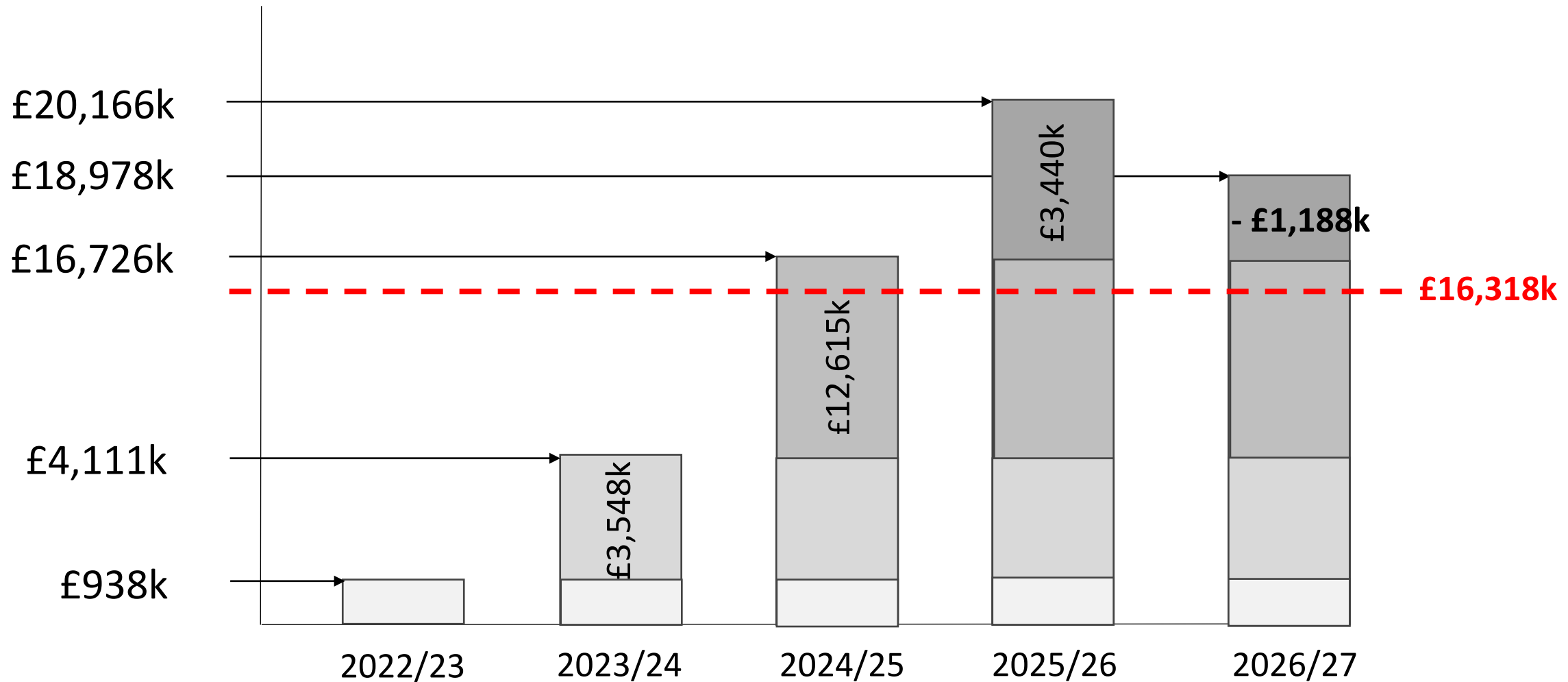
Approved SSDC Business Case (OBC)

- Improvements / upgrades to building and offer to the public
- Usage growth supports operating costs = removal of Council subsidy from 2030/31
- Project cost of £29,010,000
- DCMS Grant of £10m
- Council borrowing of £16.318m
- Other funding / grants / capital receipts of £2.25m
- Assumed borrowing costs of 1.5%
- Minimum Revenue Provision of 2%
- No borrowing in advance of need

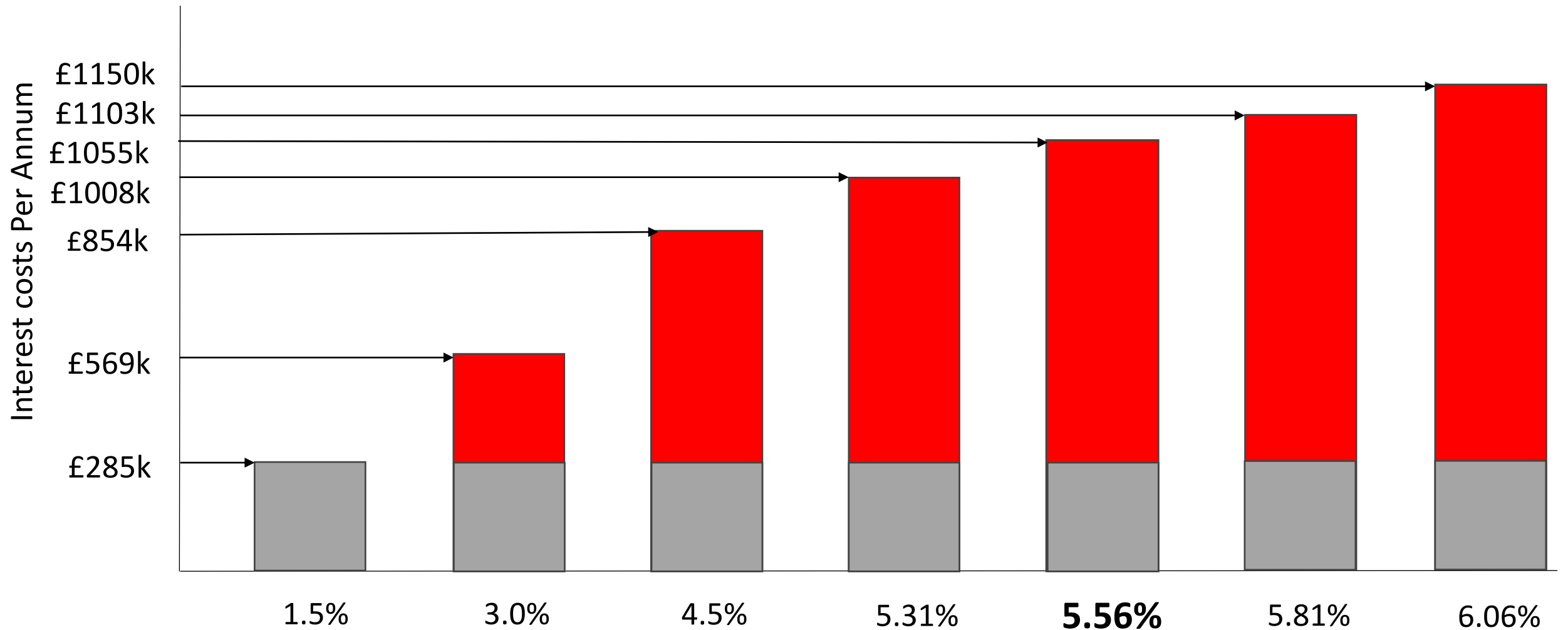
What's Changed?

- Single bidder response for the two-stage procurement activity
- Predicted capital cost £1.7m higher
- Other funding has fallen from £2.25m to £1.312m
- Borrowing exc. construction pressure £17.257m up from £16.318m in BC
- Borrowing required inc. construction pressure £18.978m
- PWLB rates (August 23) 5.56% for 50yr fix
- Debt servicing costs increased from c£285k pa to c£1,055k pa
- Each BoE base rate increase of 0.25% adds c£50k pa
- Council net subsidy c £900k pa reducing to nil at year 2048/49
- Insufficient project resources, + £100k pa during construction

Drawdown of borrowing £18.978m



PWLB rates (£18.978m over 50 yrs)



Income

Ticket sales

Ticket levy

Café / Bar sales

Event hire

Grants

Inflation over time



Expenditure

Insurance

MRP

Interest

Maintenance

Marketing

Consumables

Central recharges

Staffing

Utilities

Inflation over time

VAT

= Net Council Subsidy

Potential mitigations explored

- Increase ticket levy
- Value engineer down the design to match capital budget
- Take risk on future reduction on PWLB rates
- Fix rates later, rather than at the point of need
- Possible Cultural Exemption for vat
- Request more grant from DCMS / Arts Council
- Divert Westlands subsidy to support Octagon
- Construction costs would be fixed in contract for the known elements of the scheme

Risks

- Deliverability within budget (issue)
- Costs to date c£1.8m
- Loss of DCMS grant
- Loss of facilities for Somerset / Yeovil
- Feasibility study Oct 2020 said £23m
- RIBA stage 2 in Jan 2022 said £29m
- 1st stage contractor response estimated £30.7m
- Second stage tender Dec/Jan 2023 will say...?

What next?

- It is now clear that assurance cannot be provided
- Communications plan and guided tours planned
- Recommendations

The Executive:

- a) Confirms its commitment to the Octagon project as a flagship venue to deliver arts and culture services in Yeovil for Somerset
- b) Acknowledges that the current business case can no longer be met, and a revised business case would be necessary.
- c) Acknowledges the revenue financial pressure created by the works to date and instructs Officers to explore mitigations to these costs.
- d) Instructs officers continue to work with Department for Culture Media and Sports (DCMS) and Arts Council England (ACE) to find a viable Octagon business case to deliver cultural services in Yeovil for Somerset.
- e) Instructs work to be overseen by the Octagon Theatre Redevelopment Project Board in collaboration with all partners.

Thank you

Any Questions



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