

# CABINET

## Morecambe Winter Gardens 3<sup>rd</sup> June 2008 Report of Corporate Director (Regeneration)

### PURPOSE OF REPORT

For Cabinet to note progress on the Winter Gardens project development and the invitation made by the NWDA to the Winter Gardens Preservation Trust to apply for a £300,000 grant. And, on approval of the grant application, for Cabinet to agree to contract with the Trust as Accountable Body for NWDA funds and update the Capital Programme.

Key Decision

X

Non-Key Decision

Referral from Cabinet  
Member

Date Included in Forward Plan

May 2008.

This report is public

### RECOMMENDATIONS

1. Cabinet notes the progress to date on the development of the Winter Gardens project.
2. Cabinet agrees to be the Accountable Body for £300,000 NWDA funding on approval of the Winter Gardens Project Application under local and NWDA appraisal protocols.
3. That the Head of Finance is authorised to:
  - Update the General Fund Capital Programme by £300,000 expenditure and grant income during 2008/09 following approval of the Winter Gardens Project Application

## **1.0 Introduction**

The meeting of Cabinet held in July 2007 (minute ref: 27) resolved that the Council take on a coordinating and managing role on behalf of the Vision Board, assuming Accountable Body responsibilities as required to ensure delivery of the Lancaster and Morecambe Vision programme of activities. The Council agreed to contract with the North West Development Agency) NWDA for each individual project subject to the appropriate Council and NWDA risk assessments/appraisals on each individual project being undertaken prior to each commitment being made. The Council would act as 'intermediary' - contracting with individual applicants, acting as monitor and paymaster

Current Council protocols dictate that following the local/NWDA appraisal and approval major projects have to be referred to Cabinet for agreement for Council to act as Accountable Body and for inclusion of the grant sum in the Capital Programme. Cabinet should regard this as a routine exercise as projects should have undergone rigorous appraisal prior to acceptance into the Capital Programme.

This report concerns such an application for £300,000 of NWDA grant by the Winter Gardens Preservation Trust Ltd (the Trust). Previous Cabinet reports have highlighted the Winter Gardens as a priority for support. Principally Cabinet should note the following:

- July 2006 Cabinet (minute ref: 27) allowed the City Council to use existing staff to assist and support the redevelopment of the Winter Gardens.
- February 2008 Cabinet (Minute ref: 122) noted that Winter Gardens restoration (for 2009/10 onwards, and subject to the outcome of current feasibility/business planning work), be prioritised as a project that might receive support under the Government's Resorts Regeneration funding scheme (now renamed 'Sea Change').

The above decisions reflect the importance and willingness of the City Council to become involved in major schemes by supporting projects promoted by external organisations that meet the aspirations of the Vision.

## **2.0 Winter Gardens Update**

Cabinet should be aware that the Trust is a not for profit registered charity committed to restoring, preserving and re-opening the Winter Gardens, as closely as possible to its original condition. The Trust's vision is of a refurbished venue which will become a major multi use indoor attraction and provide a considerable contribution to the regeneration of Morecambe and the sub region.

With the support of officers from Council Economic Development and Tourism an application was made by the Trust to the Heritage lottery Fund (HLF) and NWDA for a Project Planning grant. The applications were successful and work began early this year. The Trust is currently delivering a complex £82,500 Project Planning Programme to deliver a number of important reports as follows:

- A Conservation Management Plan
- Audience Development Plan
- Access Plan
- Training Plan
- Interim Business Plan

The delivery of these reports is crucial in securing the commitment of HLF funding to major future development phase applications, and ultimately a major capital funding application.

In anticipation of the need for future 'matching' capital funding for the HLF the Council is proceeding with initial expression of interest to the aforementioned Sea Change programme as agreed in the Cabinet decision of February 2008. A further report will be brought to Cabinet concerning any significant financial arrangements or decisions required to be made by the Council in support of a full application to Sea Change.

### **3.0 Current Project Delivery**

Following a site visit the NWDA Chief Executive offered a substantial contribution of £300,000 of NWDA funds to assist the ongoing development of the project. The offer is timely and useful as the funds would shorten the detailed design stage and supplement the interim business planning currently taking place. The Trustees have identified the need for extensive specialist technical work and other supporting work (Appendix 1).

The funding application has to be made by the Council but the Trust will be responsible for delivery of the work under separate contract to the Council. The proposal is currently undergoing both NWDA and local appraisal for Vision projects with its attendant robust evaluation protocols. The reason for progressing this report in advance of full approval is that time is a key constraint as this £300,000 project must be completed by 31<sup>st</sup> March 2009 and some individual work packages will need to satisfy lengthy EU procurement procedures.

Local appraisal has been completed and a recommendation for approval with conditions will be made via the Council's Programme Management Group which meets on 2<sup>nd</sup> June, the day before Cabinet. The recommended conditions include a requirement for early work with the Trust to check and develop procedures for managing external funds, a request for further information on how capacity can be ensured if recruitment /procurement of a project manager proves difficult and provision of a list of the members of the Trust and the roles that key members will play in relation to the management of this project. Programme Management Group should therefore be in a position to endorse the project prior to the Cabinet's decision arising from this report.

Cabinet should be aware that at the time of writing the application had not been fully appraised and approved by NWDA. Full appraisal and a recommendation for approval should be made on 2<sup>nd</sup> June. All substantive issues have been addressed prior to application in close and detailed discussion with NWDA officers. While no further substantive issues are expected to be raised, any matters will be dealt with by officers under standard grant application/approval procedure.

The following options analysis and recommendations are therefore subject to no substantive issues being raised in Programme Management Group and that NWDA project appraisal approval (with or without conditions) will be achieved prior to implementation of the final recommendation.

#### 4.0 Options and Options Analysis (including risk assessment)

Option	Advantages	Disadvantages	Risk and Mitigation
<p>Option 1</p> <p>Accept the recommendation of Programme Management Group for the Winter Gardens project to be included in the Capital Programme and for the Council, as the Accountable Body for NWDA funds, to contract with the Trust</p>	<ul style="list-style-type: none"> <li>• Assists the Trust in delivering an important element/phase of their scheme.</li> <li>• Allows for progress on a key element of the Vision and council priority.</li> <li>• Contributes towards achievement of Vision spend targets</li> <li>• Council is accustomed to dealing and contracting with third parties to deliver spend and project objectives.</li> </ul> <p>This is the preferred option.</p>	<ul style="list-style-type: none"> <li>• Accountable body status confers risk and responsibility on the Council.</li> <li>• Ability of the Trust to deliver on contractual commitments.</li> <li>• Potential frustration by the Trust as the delivery organisation in the necessary protocols and procedure for prudent delivery of spend.</li> </ul>	<ul style="list-style-type: none"> <li>• As part of the package of work to be undertaken with the £300,000 the Trust is intending to employ direct project management resources and further investment in its own capacity to deliver this complex scheme.</li> <li>• Council officer time has been given in support of the application process to date and the Council will continue to assist the Trust in recruiting the support necessary to manage this phase of the development work.</li> <li>• The detailed Vision application, monitoring and evaluation process should also assist the Trust in delivering their contractual commitments.</li> </ul>
<p>Option 2</p> <p>Cabinet does not accept the recommendation of Programme Management Group.</p>	<ul style="list-style-type: none"> <li>• No advantages identified given previous Cabinet commitments to supporting Vision and Winter Gardens project.</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to deliver against a critical funding opportunity offered at a high officer level by NWDA.</li> <li>• Potential loss of confidence in Council by key partners</li> </ul>	<ul style="list-style-type: none"> <li>• Non-delivery of spend and benefits would undermine confidence in the Vision and the Council's ability to access funds. Mitigation would have to be referred back to key funding agencies and delivery protocols reviewed.</li> </ul>

#### 5.0 Officer Preferred Option (and comments)

Option 1 is the preferred option as it provides the Trust with the ability to deliver the next phase of its activity and currently provides the only mechanism by which the Council can make funding available through the Vision to the project under appropriate scrutiny, monitoring and control mechanisms.

#### 6.0 Conclusion

The Winter Gardens project is a key Vision project that the Council continues to support. Subject to project approval, accepting Accountable Body status for the project and updating the Capital Programme will further assist the Trust in achieving its aims and contribute towards achievement of the Lancaster and Morecambe Vision.

## **RELATIONSHIP TO POLICY FRAMEWORK**

Corporate Plan - The project contributes towards the following Strategic Objectives Corporate Plan Priority 4 – "To lead the regeneration of our district"

The development of the Winter Gardens is a priority project by Lancaster City Council and has been supported through previous Cabinet decisions as indicated in the body of this report. The recommendation supports the Vision which was formally accepted in July 2006 as the high level regeneration strategy for the District. The recommendations therefore link to the Lancaster District Community Strategy, the Regional Economic Strategy and the Sub-Regional Investment Plan. NWDA will only support projects which are consistent with their Regional Economic Strategy.

## **CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

The project appraisal has been undertaken with regard to Equality and Diversity and Sustainability criteria as standard items. The project is expected to meet regional and local sustainability objectives and link to regional strategies which include wide community objectives.

## **FINANCIAL IMPLICATIONS**

Previous reports on the delivery arrangements for the progression of Vision projects have detailed the implications, and risk of clawback, for the Council in undertaking Accountable Body status and contracting with third parties. The key considerations are that:

- The Council has a track record of meeting standards and requirements, and ensuring third party applicants for funds discharge their responsibilities to the public purse.
- Robust Vision project approval, appraisal and monitoring systems are in place.
- Critical responsibilities are contractually managed and are passed to third party deliverers such as the Winter Gardens Preservation Trust.

Members are reminded that the project will be the responsibility of and be run by the Trust itself. In this particular instance however, the Council will need to continue to offer extensive officer support to the Trust to meet its objectives while maintaining a prudent separation between its supporting role and its role as a monitoring and contracting/accountable body. It has been mentioned in the body of the report that as part of the package of work to be undertaken with the proposed £300,000 the Trust is intending to employ direct project management resources and further investment in its own capacity to deliver this complex regeneration scheme.

Projects are normally required to incur expenditure upfront and claim grant from the Accountable Body quarterly in arrears, however in this case this will cause cashflow difficulties for the Trust as they have demonstrated that they have limited cash balances or reserves. It is likely therefore that the Council will need to provide grant funding quarterly in advance. This can be managed through advanced warning of grant needed in order for the Council to manage its own cashflow implications and robust monitoring of previous quarters expenditure before advancing further grant to the Trust.

It is likely that the NWDA will require a final audit for this project and there will be a small cost associated with this. As Accountable Body, this cost would normally be borne by the Council as would be the case if NWDA were contracting at programme level. Costs are likely to be minimal at substantially less than £1,000 and this will need to be fed into the 2009/10 budget process in the normal way.

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments to make.

#### **LEGAL IMPLICATIONS**

Previous reports on Vision project delivery have indicated the legal implications relating to contracts with funders and with individual projects. The Council is familiar with these arrangements in relation to its work on other programmes and projects and has robust and agreed procedures in place to deal with the development of contractual arrangements and to manage contracts once in place. The contract in this instance will generally outline standard responsibilities and requirements upon which legal services would give general advice and also if and when in exceptional circumstances arise, specific advice.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

#### **BACKGROUND PAPERS**

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### **What the £300,000 will be spent on**

This Project will use the £300,000 to deliver the following technical reports/work which will be used to support future detailed preconstruction design work expected to start during early summer of 2009 and to improve business planning:

#### **1.1 The building**

1. An acoustics report. The building currently has superb acoustic quality and it is necessary to investigate the affect of any potential structural alterations if parts of the main auditorium are sectioned off to create space for a heritage centre/restaurant etc.
2. A specialist lighting plan, specifications and costings.
3. Heating design/energy report. It is expected that a major on going cost will be heating/energy bills and the Trustees wish the building to be energy efficient and to use all possible sources of sustainable energy. The Trust will ensure the building achieves highest possible BREEAM standards.
4. Feasibility, cost of and design of a hydraulic floor. Currently the main auditorium has a raked floor which limits its use. The Trustees have gained permission to cover and level it but in order to gain the most flexible use from the space, the installation of a hydraulic floor has been suggested, which will allow for a level or raked floor.
5. Feasibility, cost and design of a moveable stage. This would most likely be a forward extension of the existing stage which would allow flexible delivery of future performances/conferences/meetings etc.
6. Measured survey and creation of a digital virtual model in order to create accurate plans and allow 3D representations of proposed plans.
7. A preliminary structural and civil engineers (are there any serious problems) report.
8. ICT strategy report. The Trustees wish to utilise 21<sup>st</sup> century technology e.g. use of CAT6 and optic fibre etc. to facilitate access or broadcast performances, events, conferences and educational material.

#### **1.2 Other specialist advice (these will better inform the final working business plan)**

1. Catering study to identify what could be offered, the delivery model, costs of set up and potential income.
2. A detailed theatre/events study to identify what could be offered, the delivery model, costs of set up and potential income.
3. A heritage interpretation and events plan. The Trustees wish to create a permanent heritage exhibition and resource area to be used e.g. for educational purposes.
4. A marketing programme to include additional market research and the development of a market brand.
5. Review and update of the interim business plan (currently being developed) and the creation of a full "working" business plan

#### **1.3 Project management, coordination and other activities**

1. Resources will be used to fund an independent project manager. To include public consultation events and building sites initiative BSI (based on the Art Council's BSI programme).

Please note: It is expected that the work programme will be divided up into the following packages (with the bulk of specialist work related to the building going to one company i.e. Contract A):

Contract A: The building 1 to 8 above £190,000

Contract B: The catering study, theatre/events study, heritage interpretation plan, market research and branding programme and a working Business Plan £70,000

Contract C: The Project Management, public consultation events and building sites initiatives will be delivered by an independent consultant employed by the Trust £30,000 for Project Management and BSI/consultation events £10,000