

CABINET

Storey Creative Industries Centre Capital Project Update

2nd September 2008

Report of Corporate Director, Regeneration

PURPOSE OF REPORT			
To provide an update on the Storey Creative Industries capital project progress and approve the application for potentially additional external resources.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	7 th July 2008		
This report is public			

RECOMMENDATIONS OF COUNCILLOR ROGER MACE

That Cabinet:

- Endorses the submission of bids to the NWDA and ERDF for additional funds to extend the capital scheme;
- Authorises the Head of Financial Services to amend the capital programme accordingly on approval of the additional resources.

1.0 Introduction

Previous reports have been considered by Cabinet concerning the Storey Creative Industries Centre project, most recently in June 2007 when authority was given to proceed with the capital scheme. Members will recall that the project involves the restoration and conversion of the Grade II listed Storey Institute to provide:

- business workspace for the creative industries
- improved public galleries (including the main Storey Gallery)
- a new auditorium for use by Lancaster LitFest and other events/conferences
- bar/cafe and restaurant
- a new Visitor Information Centre (relocation and remodelling of the TIC from Castle Hill).

Another important aspect of the project has been the formation and ongoing support of a 'not for profit' company, Storey Creative Industries Centre Ltd (Storey CIC), to run the facility using revenues from lettings to drive the creative industry business support agenda.

The cost of the capital scheme (excluding fees) is £3.298 million. On completion of the works the building will be handed over to Storey CIC, to operate. The capital scheme commenced in November 2007 and is scheduled for completion in December 2008. At the time Cabinet agreed the scheme there were concerns about the potential major risks inherent in the building refurbishment and that a minimum specification, while being adequate to proceed, was not the optimal basis on which to deliver the project objectives.

This report provides a progress update on the capital scheme and notes the availability of additional external capital funding to enhance the scheme.

2.0 Progress with Capital Scheme

The project is being delivered via a "partnering" contract with Conlon Construction. In accordance with the Council's project management methodology (LAMP), the contractor and representatives of Storey CIC Board are directly involved in the project delivery structure

For such a complex build, working and decision making arrangements have been efficient and the contractor has partnered very positively with stakeholders to make best use of the strictly capped capital project budget. Due to partnering it has been possible to accommodate a number of unforeseen costs such as the need for repairs to the Little Gallery roof and design amendments for Storey SCIC as the potential end user within budget. For example, the capital scheme did not originally include for kitchen fixtures and fitting for the catering area as it was assumed this would be provided by a partner catering contractor under a profit share or rental deal model. However, Storey CIC's market testing through tender revealed a reluctance for prospective catering operators to take on major capital investment in the current economic climate. A full kitchen fit out can now be provided through savings on risk elements to enhance the catering offer.

The major risk element in the original budget related to the provisional sum for roof repairs which could not be estimated accurately until work started. Work has now been completed on the 'Castle Hill' roof section, the highest repair priority, within budget. Work is now underway on another main roof section on the Meeting House Lane elevation. Intrusive investigations prior to start of this element provided no particular cause for concern and significant abnormal costs are not anticipated.

Members should note that there is not considered to be any further potential for major cost overspend. Dealing with risk, under conditions of no budget tolerance and optimising the capital resource to produce the best possible scheme, has only been manageable in the spirit of partnership and close co-operation and understanding between the Council's project management team, Storey CIC and their appointed commissioning manager, and Conlon's team. This will continue through to the completion of the build project and beyond in dealing with aftercare issues.

A new challenge has however been presented to the capital project team in the potential for accommodating additional work under the present contract and timescale, and this is outlined below:

3.0 Availability of Additional NWDA and ERDF Capital

Cabinet will be aware that due to budgetary constraints the current capital scheme is based on a minimum specification. Planned works to certain areas of the building, considered at the time to be 'wants' rather than critical 'needs' of the business plan, were omitted from the project under the assumption Storey CIC could generate/bid for funds in the future to bring these areas into use. These "mothballed" areas include:

- The third floor 'roofspace' of the main building (approx 200 sqm lettable area)
- The lecture theatre
- The "Little Gallery"
- Ancillary outbuildings and annexes adjacent to the main Storey gallery (including the "cottage")

In addition, the capital scheme did not include for auditorium fit out. This fit out was to be supported by additional fund raising by the arts organisations, notably LitFest. However, lack of capacity within the arts organisations meant little progress was made under this route.

The Chair of Storey CIC has been in detailed discussion with NWDA on the possibility of additional funds to bring 'mothballed' areas into use and cover some of the fitting out costs. The indications are positive that the Agency may be able to assist. The Agency has not provided any funds from their current programmes into the project, all Agency money being 'legacy' funds from Single Regeneration Budget. There is also the possibility of matching any Agency contribution with unspent European (ERDF) resources from the Council's Lancaster & Morecambe Economic Development Zone (EDZ) programme.

There is a potential additional £280,000 capital funding available, around £150,000 from NWDA with £130,000 from ERDF. Successful bids should allow the total funding package to be reconfigured around all planned work and new eligible work allowing the majority of the above elements to be delivered and also enhance the IT specification for the business workspaces. Storey CIC will be able to increase their potential income and make the centre more attractive to tenants, improving the overall viability of the centre business plan.

NWDA funding is subject to formal appraisal, and EDZ funding subject to approval by the EDZ Partnership Board and Government Office North West. Cabinet should note that the funding bids have been submitted and are asked to agree an extension to the current capital scheme to include the additional works if bids are successful.

Cabinet should note that the accommodation of new work into the contract can in itself be considered a project risk, particularly as ERDF funds have to be spent by the end of the calendar year. However, the capital project team are confident that if approval to extend the scheme is given additional work can be designed, costed and accommodated within the current work-stream to meet deadlines.

4.0 Details of Consultation

This report follows ongoing discussions between Council officers and Storey CIC, and NWDA over recent months.

5.0 Options and Options Analysis (including risk assessment)

Option	Advantages	Disadvantages	Risk and Mitigation
<p>Option 1</p> <p>Accept the recommendation of the Project Executive for funding applications to be made for additional resources and the Storey Capital Project to be increased in line with available external funding and work implemented.</p>	<ul style="list-style-type: none"> Assists the project partners in delivering important additional elements of the scheme. Allows for additional elements to contribute to the business plan. Contributes towards achievement of EDZ spend targets Council is accustomed to dealing and contracting with third parties to deliver spend and project objectives. <p>This is the preferred option.</p>	<ul style="list-style-type: none"> Accountable body status confers additional risk and responsibility on the Council for additional funds. Ability of the Project team to deliver on spend deadlines. 	<ul style="list-style-type: none"> Project management is working efficiently and spend can be accommodated under existing arrangements. Council has already taken on Accountable status for the capital project to date.
<p>Option 2</p> <p>Cabinet does not accept the recommendation.</p>	<ul style="list-style-type: none"> No advantages identified given previous Cabinet commitments to supporting the project. 	<ul style="list-style-type: none"> Failure to deliver against a major additional funding opportunity offered at a high level by NWDA. Potential loss of confidence in Council by end user key partners. 	<ul style="list-style-type: none"> Non-delivery of spend and benefits would not contribute to the project business plan..

6.0 Officer Preferred Option (and comments)

Option 1 is the preferred option as it provides the Council with the ability to deliver additional facilities and space in support of the project business plan and currently provides the only mechanism by which the Council can make additional capital funding available.

7.0 Conclusion

Storey CIC is a complex and ambitious project, and has had to be implemented in a form which was significantly scaled back from the original concept, due to loss of anticipated external funding from Heritage Lottery Fund. Cabinet will be aware that the original officer recommendation and Cabinet decision in October 2006 was not to proceed with the project, but that a decision was taken by members, following call-in, to allocate additional capital funds and proceed. As outlined in this report, progress with the capital scheme has gone well and with the anticipated additional funding from NWDA and ERDF, the Council will be able to hand over to Storey CIC a good product, better capable of successful operation as a creative industries centre.

It is considered that major potential capital cost risk has been addressed. The balance of risk in the overall project has shifted from the capital works to the revenue viability and business plan of the completed centre and a number of related issues will be addressed in a further Cabinet report. Nonetheless, the additional capital resources that could be applied for represent an opportunity to add significant value to the project, and would help support the future viability of the Centre as an operational unit. There is no significant additional risk in this regard, to that already undertaken by accepting accountability for the main capital project.

RELATIONSHIP TO POLICY FRAMEWORK

Directly contributes towards Corporate Plan Priority Outcome 12: Improve Economic Prosperity throughout Lancaster District.

Storey Creative Industries Centre is a key project within the Lancaster & Morecambe EDZ programme and is featured in the Lancaster & Morecambe Vision.

The project will also directly contribute towards LAA target NI 171 New Business Registration Rate

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Diversity – The proposal aims to provide a wider range of employment opportunities to residents of the area.

Human rights – No adverse impact.

Community Safety – No adverse impact.

Sustainability – The proposal looks to support development which will lead to local employment opportunities.

FINANCIAL IMPLICATIONS

Previous reports on the delivery arrangements for the progression of the project have detailed the implications, and risk of clawback, for the Council in undertaking Accountable Body status for major capital schemes. The key considerations are that:

- The Council has a track record of meeting standards and requirements, and ensuring discharge of responsibilities to the public purse.
- Robust Vision project approval, appraisal and monitoring systems are in place.
- Critical responsibilities for additional funds are contractually managed

The additional capital resources being applied for represent an opportunity to obtain additional funding which will add significant value to the project and which will enhance the future viability of the Centre as an operational unit. There is no significant additional risk in this regard to that already undertaken by accepting accountability for the main capital project.

The project incurs expenditure upfront and claims grant from the funding bodies quarterly in arrears. Additional funds will be managed in the same way as current grant funded expenditure on the project.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

The Head of Legal services has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Previous reports to Cabinet, June 2007, September 2006, and resolutions from Cabinet 24th October 2006

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