



**LANCASTER  
CITY COUNCIL**

*Promoting City, Coast & Countryside*

**LATE REPORTS, URGENT BUSINESS and SUPPLEMENTARY INFORMATION**

Cabinet

Tuesday, 24 June 2014

**Overview and Scrutiny - Referral of Call-In: Request from Dukes and Grand Theatres for Grant Support**

**CABINET**

**Referral of Call-In: Request from Dukes and Grand Theatres for Grant Support  
24<sup>th</sup> June 2014**

**Report of Overview and Scrutiny**

PURPOSE OF REPORT				
To advise Cabinet of the outcome of the Call-in of the Cabinet Decision with regard to the request from Dukes and Grand Theatres for Grant Support (Cabinet Minute 6) and to request Cabinet to consider the recommendations of the Overview and Scrutiny Committee in relation to this matter.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Overview and Scrutiny
				<b>X</b>
Date Included in Forthcoming Key Decision Notice			N/a.	
This report is public.				

**RECOMMENDATIONS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

- (1) Overview and Scrutiny recommends that Cabinet reconsiders its decision on the basis of the officer briefing note provided to the Overview and Scrutiny Committee meeting held on 18<sup>th</sup> June 2014 and takes note of the recommendation in the original Cabinet report and the additional information supplied by the Grand Theatre at the Overview and Scrutiny Committee meeting in respect of the requests from Dukes and Grand Theatres for grant support - 27<sup>th</sup> May 2014 (Cabinet Minute 6).
- (2) Recommends that Cabinet takes steps to ensure that all parties share the Council's interpretation of the development brief for the Canal Corridor North, as set out in the General Comment Section of today's officer briefing note.
- (3) Recommends that Officers meet again with representatives of both theatres and consults with the Arts Council and British Land/Centros to provide clarity and openness for the way forward.

**1.0 Introduction**

- 1.1 At its meeting on 18<sup>th</sup> June 2014 the Overview and Scrutiny Committee considered the Call-in of the Cabinet decision on Requests from Dukes and Grand Theatres for Grant Support (Cabinet Minute 6). The Call-in was requested by Councillors Dennison and Mace from the Overview and Scrutiny

Committee and Councillors Sowden, Joan Jackson and Caroline Jackson. Councillor Hanson attended the meeting to outline the reasons for the decision, supported by Andrew Dobson, Chief Officer (Regeneration and Planning) and Nadine Muschamp, Chief Officer (Resources).

**2.0 Proposal Details**

2.1 Having reviewed the decision the Committee was of the view that Cabinet should reconsider its original decision. Details are set out in the recommendations of this report. It should be noted that the information provided by The Grand was presented during an adjournment of the Committee, rather than in the meeting itself.

**3.0 Conclusion**

3.1 The recommendations of the Overview and Scrutiny Committee allows Cabinet to reconsider its decision. They allow Cabinet to remove any misunderstanding between the various parties regarding the proposals and makes sure that all parties are aware of what is practical.

3.2 A copy of the report submitted to the Cabinet meeting of 27<sup>th</sup> May 2014 is attached, as are copies of the presentations made by The Dukes and The Grand to the Cabinet meeting on the 27<sup>th</sup> May 2014 and the officer briefing note provided to the Overview and Scrutiny Committee. Cabinet Members are also asked to bring with them their Cabinet agenda for that meeting, which contains the appendices to the original report.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b> As set out in the attached report.
<b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b> As set out in the attached report.
<b>LEGAL IMPLICATIONS</b> As set out in the attached report.
<b>FINANCIAL IMPLICATIONS</b> As set out in the attached report.
<b>OTHER RESOURCE IMPLICATIONS</b> As set out in the attached report. <b>Human Resources:</b> None arising from this report. <b>Information Services:</b> None arising from this report. <b>Property:</b>

None arising from this report.

**Open Spaces:**

None arising from this report.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted. With regard to the Grand's request, although the Chairman of the Grand provided some information verbally, in order for Cabinet to reconsider its decision it still needs full information (i.e. the business case) being presented to it, setting out what any grant would be used for, and the exact amount of any funding and for what period, etc. This is in addition to the Grand's most recent accounts (these were referred to by the Grand's chairman during the Committee meeting's adjournment).

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

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<b>CABINET</b>
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## Requests from Dukes and Grand Theatres for Grant Support

27<sup>th</sup> May 2014

### Report of Chief Officer (Regeneration and Planning)

<b>PURPOSE OF REPORT</b>			
To consider requests from the Dukes and Grand theatres for additional funding support.			
<b>Key Decision</b>	<input type="checkbox"/>	<b>Non-Key Decision</b>	<input checked="" type="checkbox"/> <b>Referral from Cabinet Member</b>
<b>Date of notice of forthcoming key decision</b>		n/a	
<b>This report is public</b>			

#### RECOMMENDATIONS OF COUNCILLOR JANICE HANSON

1. That neither of the requests be granted.

#### 1.0 Introduction

- 1.1 Both the Dukes and Grand Theatres sits alongside and are effectively an integral part of the Canal Corridor North site and one of the ambitions for that project is to provide the means to improve the cultural offer of both the Grand and Dukes theatres within the city. British Land remain committed to this aim but have made it clear that in both cases the complementary investment into the theatres alongside the development will be capped in capital contributions terms, and further contributions made in kind via architectural design assistance. In short any significant business improvement proposals for each theatre would not be capable of being funded fully by that project. In both cases the theatres intend to use the potential for those contributions to assist in the development of their business plans.

#### 2.0 The request from the Dukes

- 2.1 The Dukes have already benefitted from assistance with business planning when the council recently appointed consultants to advise it on the theatre's potential to be developed further in business terms (part of the recent service review process). Following on from the work done on the council's behalf by the business consultants a second phase of work was programmed to use

specialist theatre architects Levitt Bernstein to work on draft proposals (in concept form rather than detailed architecture) to evaluate options for developing the Dukes offer to match the potential business opportunities. These would be expected to consider extending the existing Dukes Building, potentially utilising space in the Mitchells Brewery Building or improving the screening facilities in the Storey Creative Arts Centre.

- 2.2 The Dukes have allocated a limited amount of funding towards that work being undertaken (£6.75K) but are now asking the City Council to provide additional grant amounting to £12k to complete the commission. It is also very much in British Land's interests that any uncertainty over the growth requirements of the Dukes be removed and it has been put to them that they might at this key time provide the additional funding for this commission. To date they have given a mild commitment to potentially meeting 50% of the concept design and costing element by Levitt Bernstein but this still leaves a potential £6K funding gap for the Dukes to find – assuming that British Land did not increase their potential funding offer.
- 2.3 The contributions to business planning which the council has made so far have highlighted the lack of focus that the Dukes have had on this vital area of business to date. From the Council's perspective, in particular as part funder of the theatre's current operations, it has evidenced the justification for support given so far, and the potential for business growth to reduce this level of support. Unfortunately this has also led to an expectation by the Dukes that the Council should continue to fund some of its further business development activities.

### **3.0 The request from the Grand**

- 3.1 The details of the request are set out in some detail in the report to Cabinet on 11<sup>th</sup> March. In summary, the request is for financial assistance equivalent to the cost of the Grand's lease from the City Council for part of the car park at the front of the theatre. This equates to £3,400 per annum, noting that this includes VAT as the Grand is not VAT registered. Members will recall the officer view that if such assistance was to be offered, this would need to be in the form of a grant but that more information was needed to consider this properly.
- 3.2 In response, the Grand has provided copies of its last two completed accounts (2011/12 and 2012/13). The 2013/14 accounts are not yet available as the Grand's financial year runs to the end of April. This is expanded upon later in the financial implications section. The Chairman of Lancaster Footlights has also provided a short note (appended) explaining the context for the accounts which also contains observations on the link between the Grand's performances and the City Council's car parking revenue.
- 3.3 In terms of this latter point, the Parking Manager has confirmed that for the latest 12 months that is available the Council generated £12,700 in parking fees from evening parking and tariffs that include an element of evening parking (those customers arriving before 6.00pm and staying into the evening). When VAT is deducted this equates to £10,590. This is from Upper and Lower St Leonard's Gate and Lodge Street car parks. This

accounts for around 10% of our total revenue generated from evening parking charges. However, it is impossible to say what proportion of this income is directly attributable to the Grand Theatre or for that matter any other local businesses. The fact is that the Council has a car parking strategy which is underpinned by a pricing policy which has already been agreed as part of the 14/15 budget process, and this in turn directly supports the aims and objectives of the Council's corporate plan. It should be further noted however, that in terms of fairness this principle could also be applied to all local businesses whose customers use the council's public car parks.

3.4 The Grand Theatre remain in dialogue with British Land/Centros over their inclusion within the Canal Corridor scheme. These discussions need to continue in parallel with development of the Canal Corridor scheme but at the time of writing there is nothing further to add to the comments included in the March report.

**4. Details of consultation**

4.1 No consultation has been necessary

**5.0 Options and Options Analysis (including risk assessment)**

	<b>Option 1:</b> That neither request be granted.	<b>Option 2:</b> To award grant funding in full to one or both theatres.	<b>Option 3:</b> To award one or both theatres grant funding in part (e.g. lower amount, or for shorter period).
Advantages	<p>No further draw on the Council's budget at a time of budgetary pressure.</p> <p>Reduces the likelihood of a future conflict of interest with the Canal Corridor redevelopment.</p> <p>May help maintain / encourage financial independence of the theatres, and/or encourage greater financial contribution from British Land.</p>	<p>Supports the theatres at a time when they need to make provision for development proposals.</p>	<p>The draw on the Council's budget is less than the full cost.</p>
Disadvantages	<p>The theatres may not be able to advance their preparations for developing their offers alongside the Canal Corridor</p>	<p>Additional cost to the Council at a time of increasing budgetary pressure.</p>	<p>As per option 2, albeit a lesser amount.</p>

	redevelopment.		
Risks	Could be perceived as showing a lack of support for well-known cultural facilities in the area and the theatres might not support the council in its ambitions for the Canal Corridor redevelopment.	May raise future expectations.  Runs contra to aims for moving towards a commissioning approach.  Could lead to other similar applications for grant aid, or perceived unfairness.	As per option 2.  May fail to meet either theatre's objectives.

**5.1 Officer Preferred Option**

Option 1 is the preferred option for the reasons given below.

**6.0 Conclusion**

6.1 Successful theatres benefit the district in a number of ways and are a key element of the Canal Corridor scheme. The case for providing more financial support must be balanced against the potential for other similar operators to approach the council for support (given the current budgetary climate) and possible conflicts of interest in terms of the Canal Corridor scheme.

**RELATIONSHIP TO POLICY FRAMEWORK**

The development of the district's arts offer is highlighted as a key economic development objective in the Council's Cultural Heritage Strategy. This form of economic development activity aligns with the Corporate priority for economic growth in the Corporate Plan.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

No impacts on the above

**LEGAL IMPLICATIONS**

The two requests relate to discretionary grants and there are no direct legal implications arising from this report. However the Canal Corridor Development Agreement with Centros/British Land places obligations on the Council and the Developer which may influence the aspirations for both theatres and it would be premature to consider offering financial assistance at this time until the development proposals are crystallised, as they may offer a more holistic solution to the ambitions of both theatres.

**FINANCIAL IMPLICATIONS**



There are no additional financial implications arising from the officer preferred option 1.

The Dukes reported a £33.1K deficit within their audited accounts on their general unrestricted operating reserve for the period ending 31 March 2013. The Trustees report states that going forward the Dukes have set a budget for the 3 years to March 2016 with the aim of achieving a forecast £64.9K on their general unrestricted reserve. It is not possible to comment fully on their latest financial position however, as the 2013/14 draft accounts will not be available until the end of May. It is worth noting that the Dukes have recently advertised a new senior Executive Director role within the organisation to take on responsibility for the financial direction and increasing complex tasks in managing the theatre, although it is not clear how this will be funded at this stage.

The Grand has provided accounts for the years ending 30 April 2012 and 2013 and these show that at the end of their 2012/13 financial year, they hold an operating reserve totalling £36K (exceeding their stated policy of maintaining an operating balance of £20K). A further note has been provided by the Chairman of Footlights predicting a £5K loss for the period ending April 2014 compared to an underlying £7K surplus in the previous year after accounting for one off income and capital expenditure funded from reserves. Again, at this stage as there are no accounts available for 2013/14 it is not possible to comment fully on the Grand's latest financial position.

It is re-iterated that to date neither theatre has provided a clear reason/strong business case to support their respective request for grant funding. Should Members be minded to support either option 2 or 3, however, then there will be an additional one-off cost to the Council of up to £12K relating to the Dukes and a further additional cost of up to £3.4K per annum relating to the Grand, for as many years as the grant is awarded with the following sources of funding identified:

- Performance Reward Grant Reserve (from the £15K allocated for voluntary sector initiatives)
- Arts Development Budget (from the £4.6K uncommitted balance remaining in 2014/15, noting that this could mean a redirection of resources from other Arts Development activities as and when they come forward meaning they might not be able to progress in the current financial year).

#### **OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

None

**Information Services:**

None

**Property:**

The Dukes Theatre is owned by the City Council so any expansion or improvement of the building would have a direct impact on the council's property portfolio.

**Open Spaces:**

None

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer advises Cabinet to consider carefully the considerations outlined in this report in reaching any decision; she is in support of the officer preferred option.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

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**Ref:**

Address to Cabinet Grand Theatre Request.

1. History of the Request – In the August last year the Grand theatre approached the Council to discuss the rental of the car park outside of the theatre. The theatre rents the small piece of land next to its own car park for £3400 per annum. In line with other decisions the Council has made over a number of years the theatre wished to discuss a peppercorn rent on the land – which would bring it in line with how the Council has dealt with other community groups. Since that time the Grand has been waiting for the Council to make a formal response to that request.
2. Cabinet's request for further information – at its last meeting the Cabinet verbally expressed their support for the request – but a vote was prevented and instead further information was requested. It was not clear what this information was and subsequently a copy of the previous two years accounts was requested.
3. The report before you today:
  - a. The Grand's request has been put together with a report on a request from the Duke's. It is important to note that they are two separate issues. The Grand's request is that the Council makes an arrangement so that the theatre does not continue to pay a commercial rental for your land. The Duke's request is for support of a business plan. The Grand receives no financial support from the Council, the Duke's receives support of over £120,000 per annum. There is a huge difference between these two requests.
  - b. The Financial comment on the Grand's accounts fails to offer you an interpretation of what a surplus means. In Charity accounts – and the Grand is a charity – surplus does not mean profit. Indeed the funds were reinvested in the theatre to renew the lighting system. It is perhaps more important to ask why the contingencies for a Grade II listed theatre are so low – not question a surplus.

- c. The report talks of a precedent being set – of course a precedent has been set by other organisations who have come to similar arrangements with the Council. Bearing in mind that to access this piece of land you have to go across the Grand's land it cannot set a precedent for anyone else to ask for it.
  - d. Essentially this is a property matter - it could be dealt with by an individual Cabinet Member decision. If it is not Property it would be either a Voluntary Sector matter or a Cultural matter. Instead we now find it is an issue of Regeneration.
  - e. The Grand is happy to discuss the issue of the regeneration of the area and has made it quite clear that the current plans for the area around the theatre are unacceptable as they will prevent the theatre from running. It is essential that the car parking area in question is retained by the theatre for visiting acts to use and that 24h hour access to the theatre is retained for performers and their equipment. Cabinet could make a recommendation on this today if they wish to deal with this as a regeneration matter.
4. The recommendation being made says that to accept the request does not offer value for money. The Grand finds this deeply insulting. We would respectfully remind the Council of the value that the volunteer theatre brings to the District. Think of the 'Panto' filming last year – which incidentally the council put as one of its successes in its end of year report – despite having nothing to do with it! The Grand also regularly lends costumes and props to Council activities to support the District. Ofcourse, it also adds to the Council's income with the car park and brings business into the visitor economy. This is all achieved with volunteers. The current recommendation feels like a complete rejection by the Council.
- 5.

6. At the heart of this issue is the Council's charging of a volunteer group so that they can run a community asset for the sake of the district. Your choice today is whether you support that model — or you send a clear message to how little you value their contribution.



**Submission from Siân Johnson, Chair of The Dukes**

**LCC Cabinet meeting 27 May 2014**

**Item 8: Reference: Request from Dukes for grant support for architect's fees**

I am here today to advise you that recent events in the development of the Dukes in the context of the CCN scheme have exposed The Dukes to serious business sustainability risk. This is because we are not yet able to proceed with a preferred development option in our discussions with BL/Centros.

The risk has arisen because the offer made by the Council in July 2013 to pay for the fees for the architect's designs for improvements for our building, which is owned by the Council, has not been fulfilled.

**Summary of the issues**

1. In July 2013 The Council agreed to commission architects to develop a set of design options in line with ACE requirements but has yet to do so
2. The Dukes will lose an essential part of its curtilage under the Council's Development agreement with BL
3. Unlike in 2008 when The Dukes was protected by section 106 planning agreements, the only way to project The Dukes future plans is to work collaboratively with the developers, while being advised by specialist theatre architects
4. Apart from the curtilage issue the Dukes' building is too small for its current operations and we need to expand if we stay on the current site
5. Independent consultants have confirmed that there is a business case for the Dukes new proposals, having undertaken demand research
6. The developers have warned that unless we engage with them in the immediate term on the planning of the Dukes future we will be left out of their thinking
7. The Dukes has budgeted this year to invest in extra senior resource to project manage the development plans and for 18 days of a fund-raising consultant
8. This is a one-off opportunity for realising a major cultural asset as part of the Canal Corridor North scheme.

**Background**

The story begins in July 2013 when the Dukes Chair and Director briefed cabinet members and senior officers regarding the opportunity to bid for Arts Council England, (ACE), for capital funding for an extension of The Dukes facilities and the possible incorporation of Ludus Dance's activities on the same site. The company was unable to do so because a critical aspect of the ACE Stage 1 bid is to provide ACE with architects' conceptual designs of a range of options. The ACE process requires that

a formal Options Appraisal be undertaken in which the candidate options are appraised on grounds of:

- Demonstration of need
- improved business sustainability, described by ACE as “resilience”
- improved facilities for delivering artistic work
- fundability
- physical viability.

While the Company had done preliminary work on the business case and an analysis of the facilities needed to improve our viability, **we were unable to continue without the services of an architect.** Unfortunately an offer, brokered by the Council, for Centros/BL’s architect to work to the ACE brief and The Dukes operating requirements was not working out in practice as Centros/BL insisted on working to their own retail development brief and their architects did not appear to have been given the ACE specification nor the Dukes’ spatial and operating requirements.

The Dukes’ team briefed the Council in July 2013 on how the problem could be efficiently and inexpensively resolved by the commissioning of specialist theatre architects who had specific experience of successfully guiding theatres through the ACE Capital Fund process with designs that met the Arts Council’s requirement. These were, in particular, that candidate capital improvement schemes for theatres should deliver business resilience through increasing revenues and lowering operating costs.

On 16 July the Council decided that, as The Dukes landlord, it would make its own arrangements to commission architects to advise it on the most appropriate options and to share this advice with the Dukes and with Centros/British Land, as appropriate. This was followed up on 19 July by an emailed request from the Chief Officer (Regeneration and Planning) , eliciting the contact details of our selected architect, Levitt Bernstein and the supporting briefing papers. A joint capital project team was set up, led by the Chief Officer (Regeneration and Planning) with senior staff and board and directors from The Dukes and Ludus. Meetings were held during the late summer and autumn 2013.

However, the Council initially required, we understand as an act of due diligence, that the architects’ work would include an independent review of The Dukes’ readiness for an Arts Council bid and in August 2013 the theatre business consultancy Bonnar Keelyside was separately commissioned to produce a report by September. In the event their September report gave an encouraging but interim position which indicated that the proposals had merit but more work was needed in (a), researching the demand for the new activities proposed by The Dukes for the new scheme and (b) following up the Council’s request to look at the potential for the Storey Institute to provide an alternative accommodation for Ludus and some of the Dukes activities, in particular an extra cinema screen. From this extra work the Bonnar Keenlyside consultants were able to produce a positive business case for the Council to proceed with the project and a set of development options were put forward to be developed by the architects, as agreed in July. Accordingly The Dukes wrote on 9 December 2013 to the Chief Officer (Regeneration and Planning) suggesting meetings in early January 2014 to proceed with a final architects’ brief in the light of the options arising from the BK report. The Director of The Dukes received a reply on the same day:



*I don't think I can commit myself to engaging in any preparatory work at this time as the City Council's funding position for future years (and indeed the County Councils I hear) remains uncertain. **Until I have a clear steer from Members in the new year about the future of this area of financing the arts** it would be wrong to give the impression that all is well. I certainly cannot authorise any further funding for Levitt Bernstein at this time.*

The Dukes is of course sensitive to the need for the Council to take a wider view in the light of these external issues and we decided to wait until the LCC Corporate Plan 2014-16 had gone through full council in February 2014.

We felt that the section from the Corporate Plan quoted below satisfied the senior officers' concerns in December regarding "*clear steer from Members in the new year about the future of this area of financing the arts*"

***"Priority: Sustainable Economic Growth***

Lancaster district has exceptional opportunities and a pressing demographic need to develop its economy. The main prospects for economic growth relate to energy including nuclear and renewable energy; the knowledge sector developing around Lancaster's two universities, the health sector, and the Visitor Economy, capitalising on the **district's outstanding arts and cultural heritage and entertainment offer**, its beautiful coastline and stunning natural landscapes.

The Council's actions for the next two years, in collaboration with Lancashire County Council, will seek to develop these opportunities and help to secure economic benefits through new jobs and business growth."

Accordingly in February 2014 we asked for the July 2013 commitment for fees for the architect design work to be fulfilled and, as the work would also include quantity surveyor work as well as an architectural assessment of the Storey Institute the cost had gone up, we informed officers we would be putting some £6,000 in our 2014-15 budget as a contribution from The Dukes, leaving some £12,000 to be found. We were told it would be put through Cabinet in March and accordingly we finalised our 2014-15 budget at the end year Board meeting in March 2014.

In order not to lose momentum, and in good faith that the Council would recognise the commitment from July 2013 we commissioned the architects to do what they can for the part of the fee which The Dukes is paying for, while we continue to have discussions with the Council.

**It comes as a surprise to find in today's meeting papers that our outstanding requirement for architectural design work is being perceived as The Dukes asking for extra money** when in fact the work that has been paid for to date was:

1. Due diligence work which has demonstrated that the Council is justified in supporting the work as a part of its economic regeneration strategy
2. An assessment of whether the Storey Institute could be brought into play as part of the solution.

Meanwhile, The Dukes has undertaken the following actions since the Bonnar Keenlyside report:

1. Budgeted to increase our capacity for project managing the plans via our planned new executive director role
2. Budgeted 18 days of a fund-raising consultant to develop the funding plan and prepare bids
3. Commissioned the architects to undertake the initial work using the Dukes' contribution to the fees.

## **The CCN scheme and why we are now at risk**

We thought it would be useful to show members early plans for the Dukes and Ludus project. On page 2 of the four pages of visual aids attached to this paper, visual A shows the Dukes Curtilage set out as a leased property with land surrounding the building. This land is used for

- access to our scenery loading dock,
- a storage container of equipment for the annual park show and
- parking spaces for suppliers' vans etc for working on site.

In our plans since 2008 we have intended to use the St Anne's place part of our Curtilage for expansion of the building.

However, Visual B shows the same site with a red dotted line identifying this non-built area which, in November 2012 became part of the Council's Development Agreement with British Land. The loss of this element of our Curtilage would mean that we would be unable to operate our business and we have lost the right to expand our building.

We have therefore been in discussions with Centros/BL to address this issue with a view to agreeing a design solution as part of the Dukes development project.

On page 1 of the visuals we set out in visual A the reasons why the Dukes needs to expand and improve our premises. This should be seen in the context of the success of The Dukes since 2007/8 during which period our attendances have risen for qq to qq. The current building is simply no longer large enough for our work.

In Visual B we set out the high level objectives of the project. These were agreed with the Council in November 2013 on completion of the Bonnar Keenlyside report.

Our architects have now completed a piece of work which has been funded at £6,000 by The Dukes. On page 3 they set out the study area for developing options for the ACE bid process. These are set within the Centros/BL scheme - see Visual A. Centros has, meanwhile come up with a solution for one of our business and operating requirements, that of a second cinema screen. They are proposing that this could be achieved by siting it above the shops in the main mall - see visual B.

Working to our complete brief, our own architects have come up with several options/proposals at different levels of scale and they have included and adapted the Centros suggestion. One particular proposal involves integration of the old brewery building with our youth theatre into a young persons participation centre involving our work, dance work with Ludus and also space for a County council youth Zone. See page 4 visual A.

On 15 May 2014 our architects had discussions with Centros/BL and their architects to discuss these plans. At the meeting they learned several things, including:

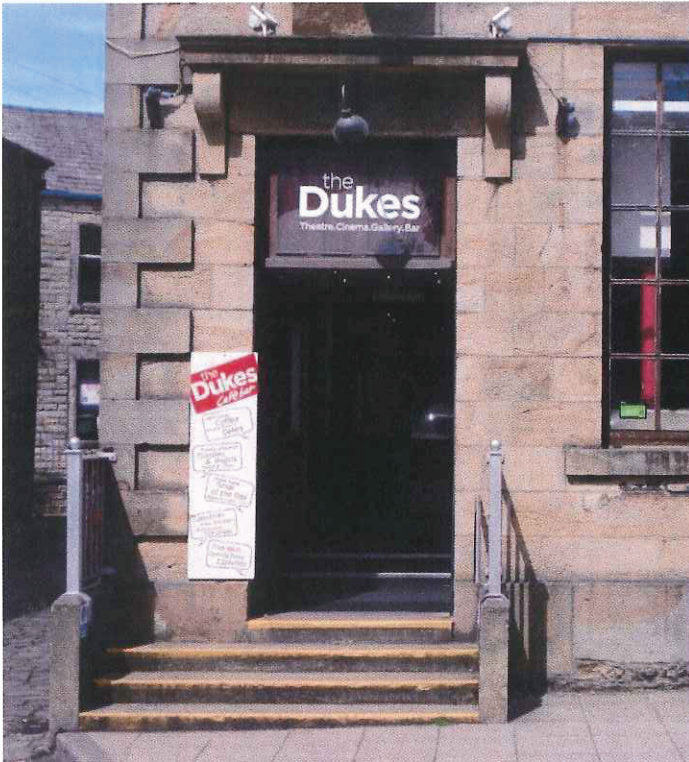
- they are open to ideas involving the brewery especially as it could bring in HLF Enterprise money
- the plans are quite advanced and a Head Office (BL) decision is due in July re final plans and planning application timing
- Centros will have no more development funding until that decision is made
- A new department store is now located in the space adjacent to the brewery where we had been planning to site the participation unit for Creative Learning, Ludus and a youth zone. See page 4 visual B.
- critical to our current position was the comment:  
***'act now to be part of the development or miss the boat'***

On 22 May last week I rang Mark McVicar of Centros to discuss a number of things:

- he confirmed that the Council has again approached him to contribute to the Dukes funding but said this would not be available until plans are finalised in July
- he pointed out that we need to be in discussion with him regarding our strategy and preferred option well before then as once they get the go-ahead it will be too late for us to influence their work
- I informed him that we will have a dedicated resource of one day a week from our new executive director from September to which he said that would be useful but too late if we have not progressed further in the meantime.

This timing now poses serious risk to the Dukes and can only be mitigated if we now instruct the architects to finish their work, which would require the Council to release the funding offered in July 2013.

**The Dukes (main site)**



**Weaknesses**

- Lack of visual prominence in the city
- Constrained site
- Limited disabled accessibility
- Tired and worn facilities & Rake overheats
- Inadequate front of house facilities
- No internal connection between the Round & foyer
- No dedicated cinema screen
- Too few dressing rooms
- Dated technical equipment
- M&E systems towards end of useful life
- No dedicated rehearsal space
- Perceptual disconnection between DT3 and main site
- Poor environmental performance
- Offsite storage costs

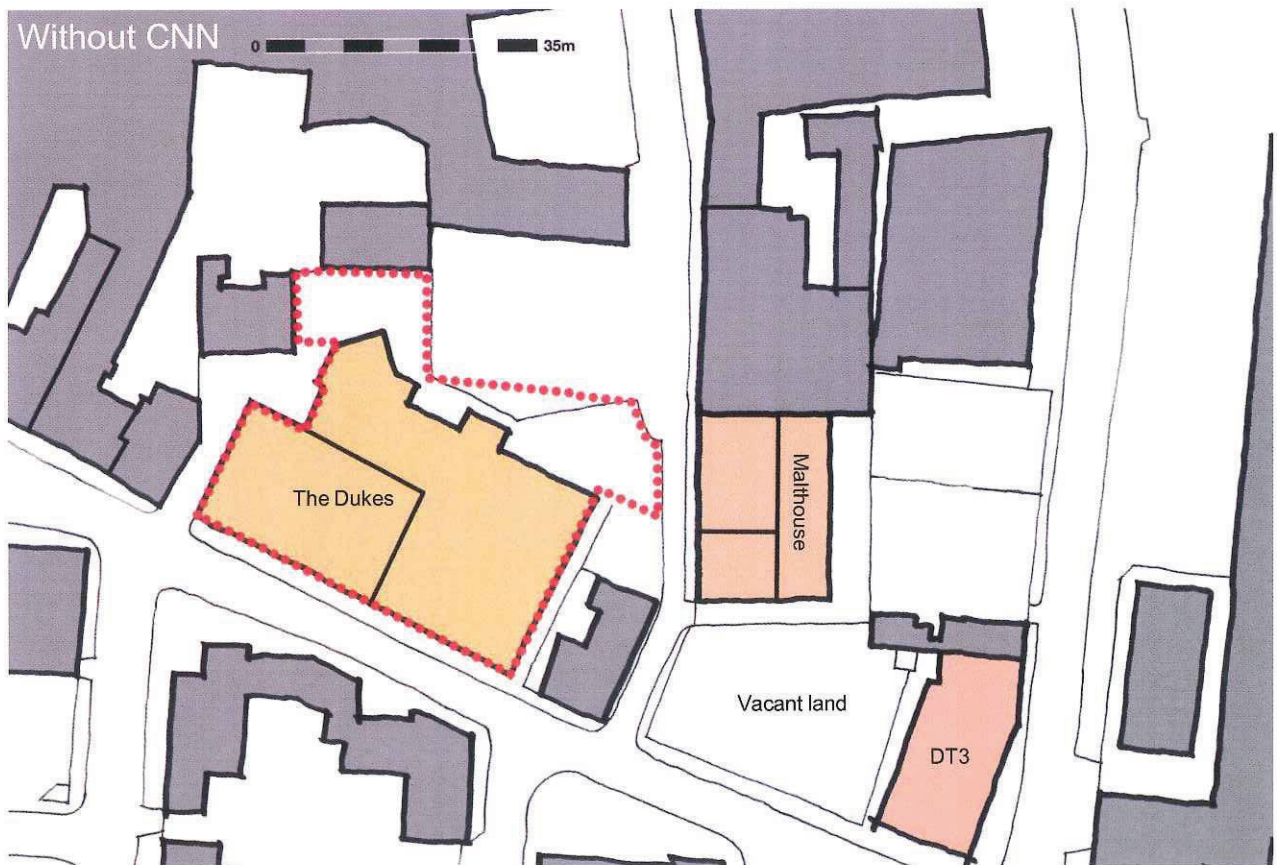
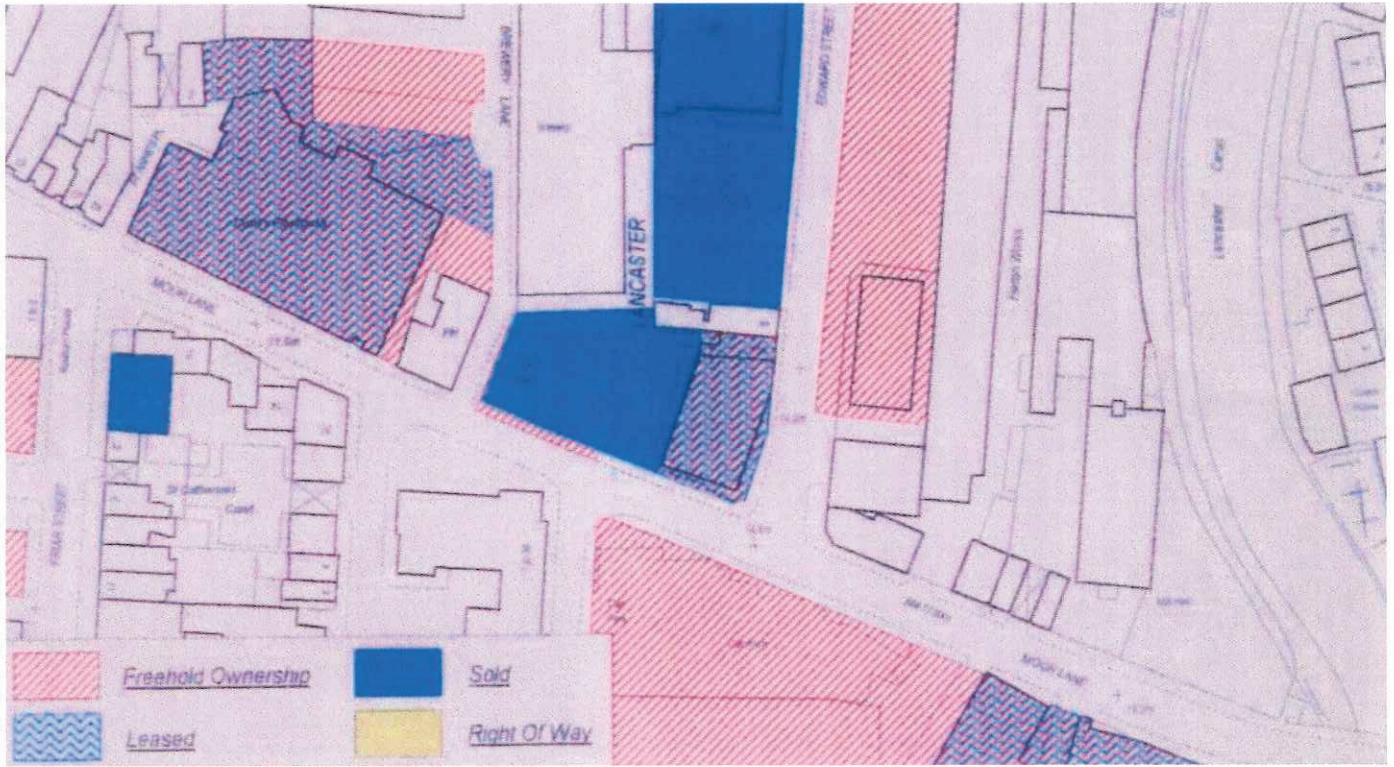
## Project objectives

**High Level Objectives**

- Increase national profile of arts and culture to promote Lancaster as a desirable place to live
- Improve Lancaster's cultural provision to meet the future needs of its residents and visitors
- Increase the resilience of the City's arts organisations
- Grow strength and reputation in engaging young people and supporting progression



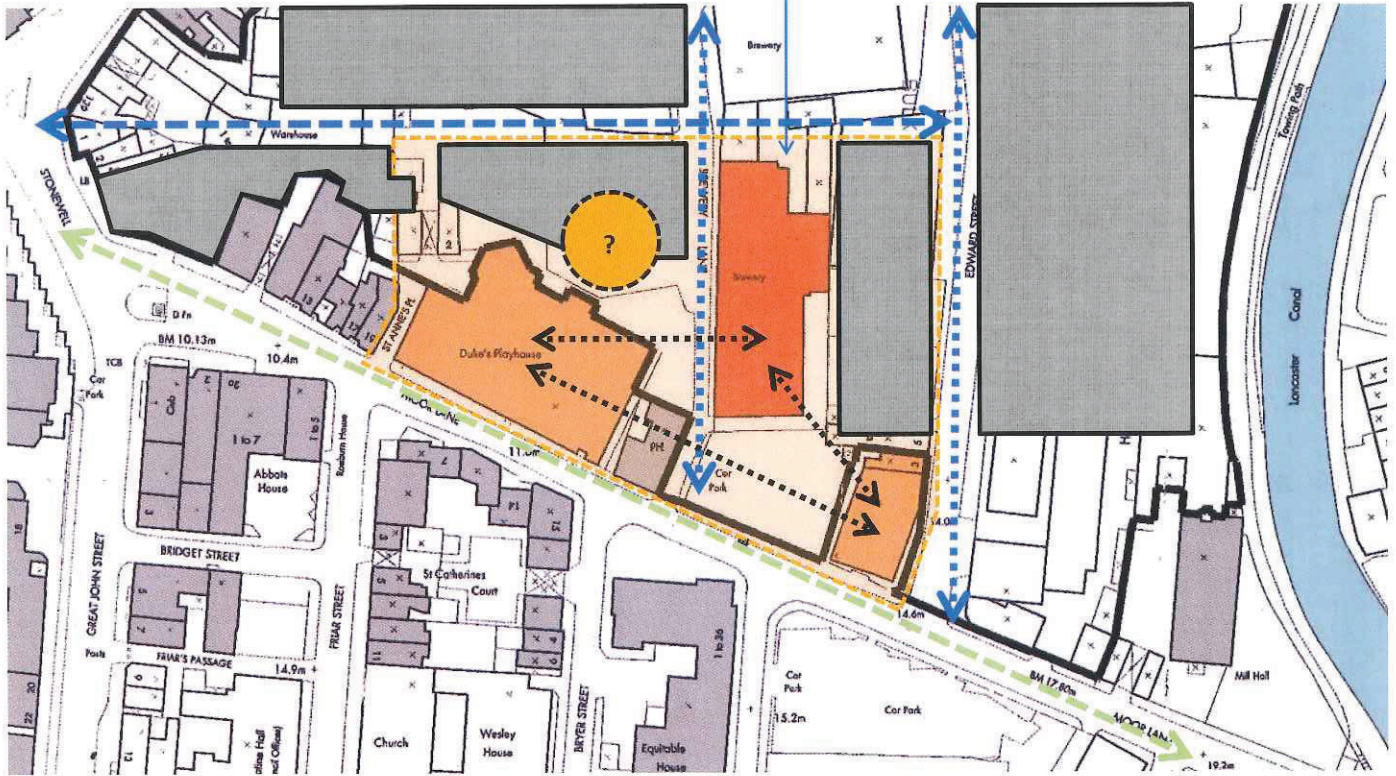
No scheme scenario



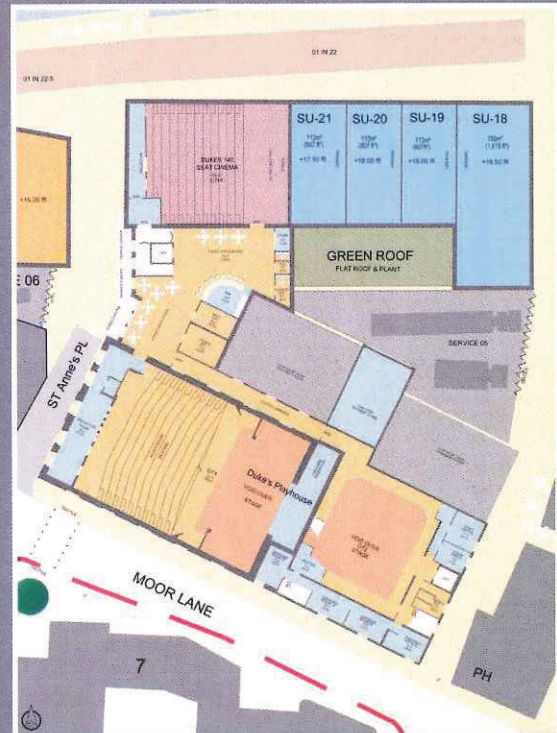
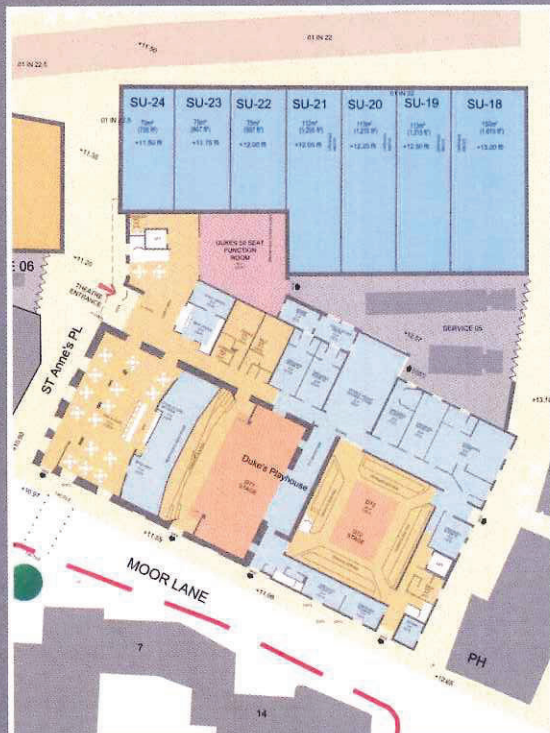
# Strategic development options

Dukes & Ludus suggested study area: mixed use arts, cinema, retail and restaurants

## Scheme scenario

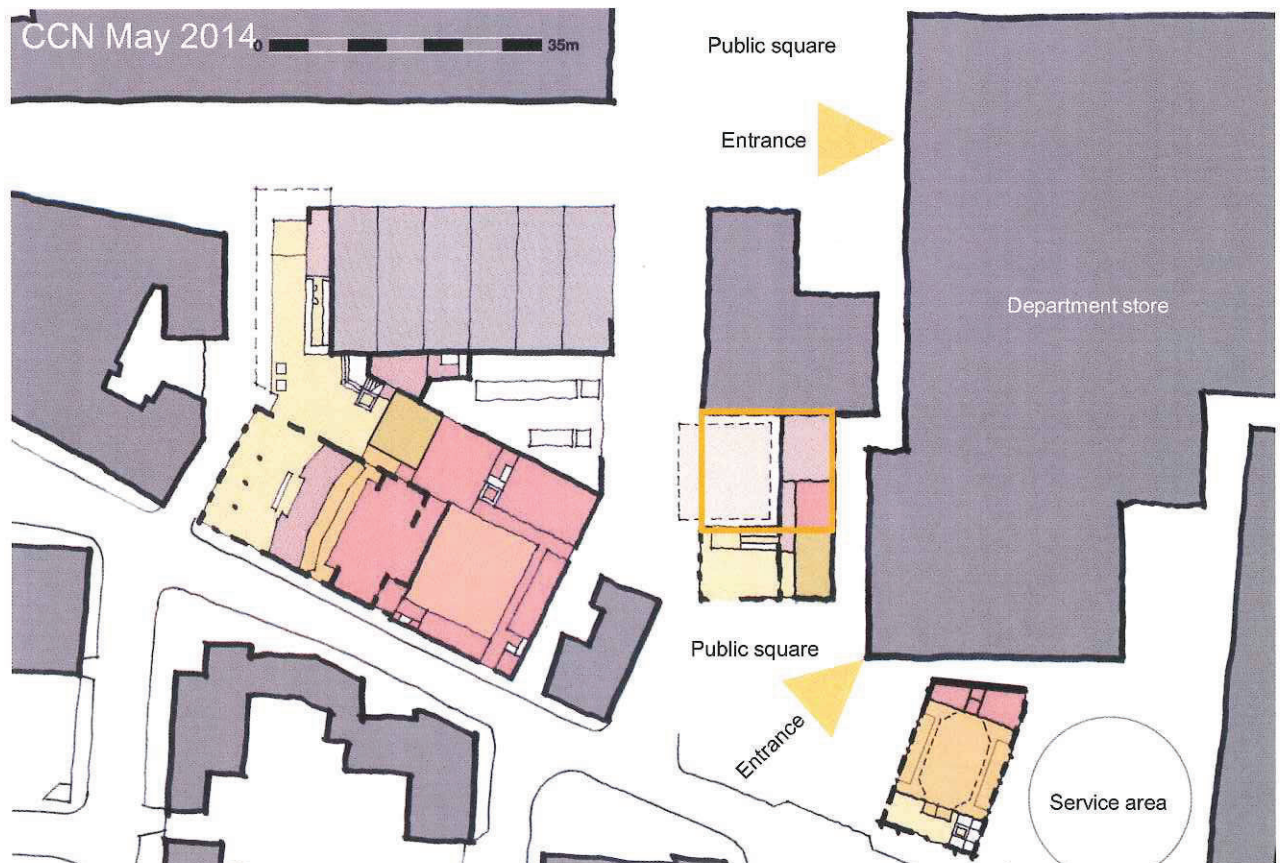


## Centros ideas for Dukes May 2014





Dukes & Ludus development opportunities 20.05.2014



Dukes & Ludus development opportunities 20.05.2014

## **Call in of Cabinet Decisions to Allocate Additional Funding to the Dukes Theatre and invite an Application for Funding from The Grand Theatre**

### **Officer Briefing Note: Comments regarding The Grand's and The Dukes' Written Submissions to Cabinet**

#### **General Comment:**

Both the Dukes Theatre and the Grand Theatre will be integral parts of any Canal Corridor North Development. The development brief for the Canal Corridor North (CCN) requires the scheme to retain and reinforce the existing cultural uses on the site and particularly refers to the importance of the two theatres. A proper interpretation of that guidance is that the existing theatre operations should, at the very least, be able to continue the current level of operations, and preferably provision should be made within the scheme to accommodate any future improvement and expansion that might be identified. This has always formed the basis of all pre application negotiations between the Council and the developer.

#### **The Grand**

1. As previously reported, the piece of land in question is covered by the CCN development agreement. Furthermore, the Council has a policy of charging market rents. These points mean that the Council is not in a position to grant a lease on a peppercorn rent.
2. Another way of viewing the Grand's request is that of grant funding. The Grand has not presented any substantive, detailed information on what any grant would be used for, and for what specific period it seeks funding for. In short, Cabinet had insufficient information on which to make any award, and for there to be any demonstration of value for money.
3. The references to other organisations receiving grant support, car parking income generation, and any lending of costumes etc, do not constitute a business case for awarding grant funding.
4. With regard to the use of the term 'surplus' in the Financial Implications of the May Cabinet report, this is simply drawing on a term that the Grand itself uses within its own financial statements, and the accompanying note from its Chairman.

#### **The Dukes**

1. There has never been a commitment from the Council to fund, specifically, the Dukes' architectural plans.



2. The Chief Officer (Regeneration and Planning) did agree to procure some specialist advice on behalf of the Council, however, following due consultation with other Chief Officers. This is because it was considered expedient for the Council, in the public interest, to remove as soon as possible any uncertainty about what potential expansion and operating space would need to be facilitated for the Dukes within this top priority regeneration project, given that British Land are progressing their master plan proposals. As a part funder (as well as landlord) of the Dukes, it was also considered expedient for the Council to understand the facility's real potential for improvement and development, **and** whether realistically, the Dukes could develop the operation to become more financially sound. The Arts Council England will require evidence of these, if capital funding for improvement is to be sought.
3. After seeking advice on the commissioning and procurement from a specialist theatre architect (Levitt Bernstein), it was the architects themselves who advised on the need for a specialist cultural sector business consultant to inform their work as "we are not able to comment directly on matters of financial viability". This made sense. In discussion with the architect, the Chief Officer (Regeneration and Planning) was able to establish that the architects could not realistically produce conceptual options for the Dukes without a business plan to work to. Other Chief Officers were again consulted and agreed with this approach.
4. For this reason the first call on the funds from the Regeneration and Planning consultancy budget allocated to this specific commission was to engage the specialist cultural sector business consultant. That consultant produced two pieces of work at the Chief Officer's request:
  - A. They considered (in broad summary) whether the Dukes were properly prepared in business planning terms to prepare submissions for Arts Council funding for a development project for the Theatre. The conclusion was that they were not, although the Dukes representative at Cabinet suggested that the work had concluded they were.
  - B. The second piece of work was to establish a business case for developing the theatre towards a position of sound financial viability. Only then realistically could the architects, Levitt Bernstein, produce conceptual ideas for a project.
5. By the time the two business reports had been produced, which in part compensated for the absence of a properly worked up business plan by the Dukes, the limited consultancy funds in the Regeneration and Planning Service's budget left insufficient funds to commission any architectural work. Furthermore, the service Review process taking place at the same time also cast doubt over the Council's budgetary position regarding the arts, although some further certainty, albeit comparatively short term, was gained through annual budget setting. In short, Member approval would have been required should further funds have been needed to complete the Council's information needs.

6. This information need centred on understanding the physical space that the Dukes may need providing for in the overall CCN regeneration scheme. With the need to consider seeking Cabinet approval for additional funds for the architectural concept, a delay in progress occurred. The Dukes themselves however found limited funds to start the process. Using just those funds the architects have been able to produce conceptual plans. Independently, British Land have also worked up conceptual plans for the Dukes and there are strong similarities between the two.
7. These two plans, presented to Cabinet by the Dukes speaker, only became available together the week before the Cabinet meeting, but by that time the Chief Officer (Regeneration and Planning) was able to advise Cabinet that the Council's need to understand the space requirements of the Dukes has now been met, without the need for further expenditure.
8. Accordingly, the Officer preferred option (not to support the Dukes request) remained unchanged.
9. To emphasise the linkages between establishing deliverable capital plans and sound business planning, at a meeting with the Dukes on 20<sup>th</sup> May 2014 the estimated costs of the conceptual plans emerging from the business plan, which the Dukes have endorsed, were considered. At around £16M for the Dukes alone, the scheme is extremely ambitious. It is considered, therefore, that thought needs to be given on whether this could be a long term deliverable project, broken into more realistically implementable phases. That work still needs to be done. Officer views are that this should be paid for by British Land and/or the Dukes and not by the Council, as certainty has now been achieved about the space needed to enhance the Dukes.
10. One final point to clarify relates to the Dukes' suggestion that unlike 2008 when the Dukes was protected by a Section 106 planning agreement, other arrangements need to be put in place now to protect them. This is not correct. Had outline planning permission been granted in 2008, the Heads of Terms suggested for the Section 106 Agreement required the payment of funds to the Council to repair, alter and improve the Dukes Theatre shortly after the commencement of development. Those terms would still be expected in any future Section 106 Agreement, to ensure that the contribution British Land make to assist in the funding of a scheme of phased improvements to the Dukes were delivered as part of the development.
11. Given all the above points, Officers do not accept The Dukes' statement that that the Dukes were exposed to "serious business sustainability risk" ... "because the offer made by the Council ... to pay the fees for the architect's designs ... has not been fulfilled".