

CABINET

Dome – Options 22nd January 2008

Report of Head of Cultural Services

PURPOSE OF REPORT				
To consider options for the future of the Dome.				
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member
Date Included in Forward Plan	January 2008.			
This report is public.				

RECOMMENDATIONS OF COUNCILLOR MAIA WHITELEGG

- (1) Cabinet is requested to determine an in principle preferred option for the future of the Dome.
- (2) Subject to Cabinet's decision with regards to the above, that the revenue and capital consequences identified within the report be taken forward and considered as part of the wider deliberation by Cabinet on the 2008/209 budget process.

1.0 Introduction

- 1.1 As part of the establishment of Cultural Services, Officers have undertaken a review of performance venues operated by Cultural Services. The above is prompted by a number of factors, including:-
 - The on-going redevelopment of Morecambe Promenade (as part of the Midland Hotel project).
 - The age and condition of the Dome.
 - The Council's Medium Term Financial Strategy (MTFS)
 - An objective challenge (in terms of revenue costs/duplication, etc) as to whether the Council should operate two venues (i.e., the Platform and the Dome) "across the road to each other".
 - Capacity within other existing venues (both public and private) to offer an equivalent programme of events.

- 1.2 The future of the Dome is linked to the on-going redevelopment of Morecambe promenade. In the context of the above, the report poses the question whether Cabinet wish to give consideration to closing the Dome pre or post any agreement on the promenade development? Cabinet is also asked to consider whether to continue providing a programme of events/shows in the Dome, or whether to transfer its programme of events/shows to an alternative venue e.g., the Platform, or other venues within the District (including private sector venues), as and when the Dome does ultimately close?

2.0 Proposal Details

- 2.1 The 2008/2009 Draft Revenue Budget shows a net expenditure of £120,400 against the Dome and £127,700 against the Platform.

2.2 Option A - Closure and demolition of the Dome, with no transfer of events.

- 2.3 In option A an estimate for demolition of the Dome (*“to one metre below ground level, grubbing up and sealing off of services, removal of debris and arisings off site, etc”*) has been received from Birse Civils Limited. At December 2006 prices the total cost estimate stood at £79,400 (£83,400 at 2008/2009 prices). This capital growth has yet to be highlighted as an item for the Capital Programme and approval would be dependent on a project appraisal.

Assumptions:-

- Cessation of all operations at Dome.
- One permanent staff member subject to redeployment, with effect from April 1st 2008. Staff member may alternatively take redundancy option which would result in subsequent redundancy costs.
- Effective 1st April 2008, subject to no contractual costs relating to cancellation of existing bookings.
- Pumping Station expenditure (see paragraph 2.10)

Projected revenue savings of £103,900 best case and £58,900 worst case scenario based on 2008/09 draft estimates. The projected savings for 2009/10 and 2010/11 are £114,300 and £122,000. A breakdown of the Option A financial appraisal is attached as an appendix to the report.

Risks:-

- The above would have a potentially damaging impact on the reputation of the Council and district. The closure of the Dome and no transfer of events would be viewed negatively in terms of the impact that shows and events make to the district and undermine the events strategy undertaken since the creation of Cultural Services. High profile event/shows such as those undertaken in 2007/2008, including;- the “Arctic Monkeys”, “Athlete”, and “Reverend & the Makers” would cease through the loss of the existing revenue budget.

- The above assumes an effective date of the 1st April 2008, and no contractual costs relating to cancellation of existing bookings. However, based on existing bookings scheduled for the Dome in 2008/2009, the potential maximum estimated contractual costs of cancellations, to-date have been calculated at £45,000. Pending Cabinet's decision with regards to a preferred option on the future of the Dome, to avoid the risk of reputational damage the above is hypothetical, as no event promoter or organiser has yet been contacted with a view to negotiating an alternative venue (which could offset some of the potential contractual cancellation costs). However, if the decision was taken now to close the Dome with effect from April 2009, there would be no contractual costs relating to cancellation of bookings, as to-date no bookings have been confirmed for 2009/2010. A decision should be made to coincide with the end of the 2008/2009 season to ensure no commitments are made for events to be held in 2009/2010.
- Permanent staff member could take statutory redundancy if redeployment not successful which would result in a cost, calculated at £6,000 (based on an end date of 31st March 2008, with no enhancements).
- No budget approval as present to demolish the Dome.

2.4 Option B - Closure and demolition of the Dome, transferring the majority of events to the Platform and/or alternative venues within the District (including private sector venues) – subject to availability.

Assumptions:-

- Cessation of all operations at Dome.
- Transfer of events from the Dome to the Platform and/or alternative venues within the District (including related expenditure and income) – subject to availability.
- Retention of permanent staff – transferred to within Cultural Services to support events held in alternative venues.
- Effective 1st April 2008, subject to no contractual costs relating to cancellation of existing bookings.
- Pumping Station expenditure (see paragraph 2.10)

2.5 This option would result in a net revenue saving of £101,700 best case and £56,700 worst case scenario based on 2008/09 draft estimates. The projected savings for 2009/10 and 2010/11 are £105,300 and £109,300. A breakdown of the Option B financial appraisal is attached as an appendix to the report.

2.6 As already referred to in option A, option B also contains an estimate for demolition of the Dome. At December 2006 prices the total demolition cost estimate stood at £79,400 (£83,400 at 2008/2009 prices). This capital growth has yet to be highlighted as an item for the Capital Programme and approval would be dependent on a robust business case and project appraisal.

2.7 In the event that Cabinet wishes to consider relocating the Dome based events/shows to the Platform, the latter would require a capital investment (staging,

“blackouts”, lighting and sound systems, etc) to bring the Platform to an equivalent operational standard - estimated at £130,000 (at 2008/2009 prices). These improvements have been identified as a request for growth within the Capital Programme but are subject to approval dependent on a robust business case and project appraisal.

Risks:-

- The above assumes an effective date of the 1st April 2008, and no contractual costs relating to cancellation of existing bookings. However, based on existing bookings scheduled for the Dome in 2008/2009, the potential maximum estimated contractual costs of cancellations; to-date has been calculated at £45,000. Pending Cabinet’s decision with regards to a preferred option on the future of the Dome, to avoid the risk of reputational damage the above is hypothetical, as no event promoter or organiser has yet been contacted with a view to negotiating an alternative venue (which could offset some of the potential contractual cancellation costs). However, if the decision was taken now to close the Dome with effect from April 2009, there would be no contractual costs relating to cancellation of bookings, as to-date no bookings have been confirmed for 2009/2010. A decision should be made to coincide with the end of the 2008/2009 season to ensure no commitments are made for events to be held in 2009/2010.
- It should be noted that non-availability and layout of other potential venues within the District would mean a small percentage of events could not be considered for transfer. For the purposes of consistency all projections within this report are based on transferring 100% of the events from the Dome to Platform, as at this stage it is not possible to determine otherwise without discussing the situation with promoters.
- No budget approval at present to demolish the Dome.
- No capital investment approval at present to upgrade the Platform, and this would be subject to the business case.
- Failure to manage effective redirection of shows from the Dome to the Platform.
- Failure to achieve show income as estimates.

2.8 **Option C - Continue current operation.**

In this option the City Council would continue to operate the Dome, presumably until such time as the outcome of the Morecambe promenade redevelopment is determined. Within this option it would be prudent to commission a Dome condition survey, estimated at a one-off cost of £5,000. The costs of this survey would need to be funded through savings within the existing service budget or an additional revenue growth bid request. The outcome of the condition survey would likely identify additional capital and/or revenue implications for the continued use of the Dome. This option also allows for a wider debate about performance venues in Morecambe, within the context of not only the Promenade Redevelopment but also the future of the Winter Gardens.

Assumptions:-

- Although there would be demolition costs associated with the Dome, estimated at £83,400 at 2008/09 prices, it is assumed that they would be offset against the overall costs of the redevelopment of Morecambe Promenade.
- Subject to a satisfactory outcome to the Morecambe promenade redevelopment, and if Cabinet still wished to consider relocating the Dome based events/shows to the Platform and/or alternative venues within the District (including private sector venues), the former would require a capital investment (staging, “blackouts”, lighting and sound systems, etc) to bring the Platform to an equivalent operational standard - estimated at £130,000 (at 2008/2009 prices). These improvements have been identified as a request for growth within the Capital Programme but are subject to approval dependent on a robust business case and project appraisal.
- There would also be revenue consequences linked to the above, in respect of additional expenditure and income (including staffing costs), associated with staging more events/shows in the Platform. At this time these costs have not been determined.
- Pumping Station expenditure (see paragraph 2.10)
- A breakdown of the Option C financial appraisal is attached as an appendix to the report.

Risks:-

- No approval of budget allocation at present in respect of the condition survey.
- That the condition survey identifies additional significant capital and/or revenue budget requirements associated with the continued use of the Dome.
- No capital investment approval at present to upgrade the Platform, and this would be subject to the business case.
- No revenue budget approval at present to transfer Dome events/shows to the Platform.

2.9 **Option D - Seeking a private operator to take on the operation of the Dome.**

An informal approach undertaken a few years ago, by the Corporate Director (Regeneration), identified only one potential private operator. The matter was not pursued as that operator sought a prohibitively large management fee from the City Council.

To-date this option has not been further costed and would involve market testing via a Tendering process, at an initial cost of £1,500 to cover the cost of advertising for expressions of interest, including a pre-tender questionnaire. There would be significant work required to prepare and produce a specification, evaluate the tenders and subsequently a requirement to monitor the “contract”. The whole tendering process and any subsequent award of contract would include consideration of Transfer of Undertaking of Public Employees (TUPE), taking up references and

financial checks, etc. Based on previous tendering experiences, to allow for preparation of documents, pre and post-tender evaluation and a hand-over period, the earliest transfer to a potential private sector operator would take at least six months. Within this option it would be necessary to commission a Dome condition survey, estimated at a one-off cost of £5,000. The outcome of the condition survey would likely identify additional capital and/or revenue implications for the continued use of the Dome (as part of the landlord and tenant relationship between the City Council and facility operator).

Assumptions:-

- The outcome of the above would likely involve a Management Fee from the City Council to any operator and would therefore not yield any financial savings.
- Pumping Station expenditure (see paragraph 2.10)

Risks:-

- The likelihood of finding a suitable and affordable operator for the Dome, for the time that remains before the redevelopment of Morecambe Promenade. It is difficult to identify where any operator would make any savings with regards to fixed costs, such as utilities, etc.
- Cabinet are reminded that the whole Bubbles Complex, including the Dome, has in the past been operated by a private contractor (as part of the Compulsory Competitive Tendering regime). Ultimately that contractor failed and the operation of the facilities reverted to the City Council.
- In the event that a private sector operator was identified for the Dome, it would likely operate in direct competition to the Platform and may impact on the programming and financial viability of the Platform.
- No budget approval at present in respect of the condition survey.
- That the condition survey identifies significant capital and/or revenue budget requirements associated with the continued use of the Dome.

2.10 Pumping Station

The Bubbles site, to the rear of the Dome, incorporates a Surface Water Station – which will be required, irrespective of the future operation of the Dome or any other facility, unless the ground level is raised to that of the Promenade. The current site will still be liable to flooding, with or without a facility as the site is below sea level. This is currently under funded and it is recommended, by Engineering Services, that this be increased from the current budget allocation of £2,100 to £5,000. This expenditure arises in all the options (A to D above). This increase to the existing budget allocation of £2,900 is subject to “growth” approval in the 2008/09 budget process.

Risks:-

- No additional budget approval at present in respect of the pumping station.

3.0 Details of Consultation

3.1 As the position regarding the future of the Dome is to be determined, to minimise the risk of reputational damage to the facility, Council or District, there has not been any consultation to-date.

4.0 Options and Options Analysis (including risk assessment)

4.1 The Options and Options Analysis are as set out in Paragraphs 2.1 to 2.10.

5.0 Officer Preferred Option (and comments)

5.1 Option A provides the greatest financial saving, whilst option B would allow the Council to retain a programme of events, and option C a deferral on one or both of the above. In view of the uncertainty regarding the long-term future of the Dome and the previous experience with a private operator, option D is not a preferred option.

6.0 Conclusion

6.1 The future of the Dome is linked to the on-going redevelopment of Morecambe Promenade. To that end the main issue arising from this report is the question of timescales. Protracted speculation regarding the future of the Dome will have a detrimental impact on potential hirers of the venue (and therefore income) and on staff morale.

RELATIONSHIP TO POLICY FRAMEWORK

Performance venues are an integral part of the Cultural Services “offer” within the District and impact in terms of facilities provided for residents and visitors.

CONCLUSION OF IMPACT ASSESSMENT

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

The report raises issues in respect of sustainability.

FINANCIAL IMPLICATIONS

As the reports set out there are a range of financial implications (revenue and capital) arising from the report.

Members are advised that the options and financial information contained within this report are for illustration purposes only at this stage. The potential costs/savings of each option have not yet been possible to fully appraise, in particular whole life costing still needs to be analysed. Subject to Cabinet’s preferred option, further detailed work is required and will be carried out by Cultural Services in conjunction with Finance before a final decision is made and implementation can take place.

Option A

	2008/09 Worst Case	2008/09 Best Case	2009/10	2010/11
Revenue	(58,900)	(103,900)	(114,300)	(122,000)
Capital	83,400	83,400		
Cost/(Saving)	24,500	(20,500)	(114,300)	(122,000)

This option would result in revenue savings but would require capital expenditure for the demolition of the Dome.

Option B

	2008/09 Worst Case	2008/09 Best Case	2009/10	2010/11
Revenue	(56,700)	(101,700)	(105,300)	(109,300)
Capital	213,400	213,400		
Cost/(Saving)	156,700	111,700	(105,300)	(109,300)

This option would result in revenue savings but would require capital expenditure for demolition of the Dome and improvements to Platform facilities to ensure the transfer of events to the Platform could be possible.

Option C

	2008/09 Worst Case	2008/09 Best Case	2009/10	2010/11
Revenue	128,300	128,300	127,200	131,400
Cost/(Saving)	128,300	128,300	127,200	131,400

This option would result in ongoing revenue expenditure, until such time as the City Council determines the outcome of the redevelopment proposals for of Morecambe Promenade. Thereafter, in the event that Cabinet still wished to consider relocating the Dome based events/shows to the Platform, would require a capital expenditure of at least £130,000 (at 2008/2009 prices) for staging, “blackouts”, lighting and sound system. There would also be additional revenue costs and/or savings associated in relocating the Dome based events/shows to the Platform.

Option D

This option has not been costed and would be subject to market testing via a Tendering process.

Members are reminded that once a preferred in-principle option has been indicated a further detailed financial appraisal will be reported back to Cabinet before a final decision is made.

SECTION 151 OFFICER’S COMMENTS

As highlighted above, the financial appraisal of options is not yet robust enough to support a final decision regarding the future of the Dome, but the report should allow Cabinet to give an indication of their preferred option. In essence, there are two issues for consideration:

1 - Does the Council wish to continue operating the Dome, until the Promenade Redevelopment is determined;

and

2 - If it wishes to close the Dome, does it wish to upgrade its facilities at other venues, such as the Platform in order that they could stage other events (assuming that the organisers of such events wished/agreed to use alternative venues)? With regard to this aspect, the Section 151 Officer would advise that the business cases for such proposals would need

determining, to support consideration against the draft Capital Investment principles, i.e., capital investment in new (or the expansion of existing) facilities will be considered only where they link clearly with the existing corporate plan and they are either:-

- at least self financing (both in revenue and capital terms).
- or
- invest to save proposals that require some up front capital investment but would generate cashable (and where possible, non-cashable) ongoing revenue savings.

Overall, the rationalisation of venues should allow better value for money (VFM) to be achieved, for local taxpayers as a whole, and the Section 151 Officer would advise Members to consider VFM principles in considering future options.

LEGAL IMPLICATIONS

There are no legal implications other than those that may occur if the Dome ceases to operate and there are resultant staff issues or contractual issues arising from cancelled bookings.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments at this stage.

BACKGROUND PAPERS

N/A

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