

CABINET

Dome – Options 9th December 2008

Report of Corporate Director (Regeneration)

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				
This report is public				

RECOMMENDATIONS OF COUNCILLOR JANE FLETCHER

- (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 2009/2010 budget process.

1.0 Introduction

1.1 In January 2008, Cabinet considered a report on the future of the Dome, and resolved [Minute 99 (07/08 refers)]:-

- (1) That the current operation at the Dome be continued in accordance with Option C, with the Condition Survey being undertaken as cheaply as possible and to be funded through the Renewals Reserve, and with a report back to Cabinet about the performance venues in Morecambe.
- (2) That Cabinet approves an increase in the budget, as set out in the report, for Pumping Station works.
- (3) 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.

1.2 As part of the current Star Camber budget process, Officers have been asked to prepare an update report.

1.3 The original report submitted to Cabinet in January 2008 was in the context of the factors listed below. To that end the on-going Star Camber budget process has accentuated some of those issues i.e.:-

- The 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, which could include consideration of the Winter Gardens.

1.4 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?

1.5 In respect of the Condition Survey referred to in paragraph 1.1, Capita Symonds was commissioned to undertake the work. The financial summary of their survey identified and recommends a five year refurbishment and repairs programme, amounting to:-

Year 1 (2009/10)	Year 2 (2010/11)	Year 3 (2011/12)	Year 4 (2012/13)	Year 5 (2013/14)
£53,000	£141,000	£102,000	£50,000	£215,000

1.6 In terms of Options listed below for Cabinet' s consideration the refurbishment and repairs programme contained within the Capital Symonds Dome Condition Survey has not to-date been submitted as a request for growth within the Capital Programme, and would need to be subjected to a robust business case and project appraisal.

2.0 Proposal Details

2.1 The 2009/2010 Draft Revenue Budget shows a net expenditure of £125,500 against the Dome and a similar figure 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 2009/10 prices the total cost estimate stood at £85,100 (2008/09 Base plus 2% inflation). Any capital growth in respect of the above 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 2009. Staff member may alternatively take redundancy option which would result in subsequent redundancy costs.
- Effective 1st April 2009, subject to no contractual costs relating to cancellation of existing bookings.

Projected revenue savings of £111,900 best case and £66,900 worst case scenario based on 2009/10 draft estimates. The projected savings for 2010/11 and 2011/12 are £121,200 and £127,200. 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”, “Reverend & the Makers”, and “the Kooks”, etc., would cease through the loss of the existing revenue budget.
- The above assumes an effective date of the 1st April 2009, and no contractual costs relating to cancellation of existing bookings. Based on the earlier work undertaken as part of the January 2008 report to Cabinet, bookings scheduled for the Dome in 2008/2009, the potential maximum estimated contractual costs of cancellations were calculated at £45,000 (there has not been time to-date to adjust the figures to reflect 2009/2010 pre-booked events). 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 2010, there would be no contractual costs relating to cancellation of bookings, as to-date no bookings have been confirmed for 2010/2011. A decision could be made to coincide with the end of the 2009/2010 season to ensure no commitments are made for events to be held in 2010/2011.
- Permanent staff member could take statutory redundancy if redeployment not successful which would result in a cost, calculated at £6,000 (note this figure is based on March 2008 figures, with no enhancements. There has not been time to-date to adjust the figures to March 2009).
- 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 2009, subject to no contractual costs relating to cancellation of existing bookings.
- 2.5 This option would result in a net revenue saving of £91,100 best case and £46,100 worst case scenario based on 2009/10 draft estimates. The projected savings for 2010/11 and 2011/12 are £93,200 and £95,000. 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 2008/09 prices the total cost estimate stood at £85,100 (2008/09 Base + 2% inflation). 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 £132,600 (2008/09 Base + 2% inflation). 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 2009, and no contractual costs relating to cancellation of existing bookings. Based on the earlier work undertaken as part of the January 2008 report to Cabinet, bookings scheduled for the Dome in 2008/2009, the potential maximum estimated contractual costs of cancellations were calculated at £45,000 (there has not been time to-date to adjust the figures to reflect 2009/2010 pre-booked events). 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 2010, there would be no contractual costs relating to cancellation of bookings, as to-date no bookings have been confirmed for 2010/2011. A decision could be made to coincide with the end of the 2009/2010 season to ensure no commitments are made for events to be held in 2010/2011.
- 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.

Assumptions:-

- Although there would be demolition costs associated with the Dome, estimated at £85,100 (2008/09 Base + 2% inflation), 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 £132,600 (2008/09 Base + 2% inflation). 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.
- That expenditure identified in the Capita Symonds Condition Survey will be capital in nature, starting in 2009/10. These improvements have not yet been submitted as growth within the Capital Programme and are still subject to robust review by both Cultural and Financial Services.
- 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.
- 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.**

Within the January 2008 report, Cabinet was informed of an informal approach undertaken by the former Corporate Director (Regeneration), to identify a potential private operator. The matter was not pursued as only one operator was identified and the management fee sought from the City Council by the operator was prohibitively large.

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.

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.

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 2.9.

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

5.1 Option A provides the greatest financial whole-life 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 any final decision is made, as part of the budget process.

Option A

	2009/10 Worst Case	2009/10 Best Case	2010/11	2011/12
Revenue	(66,900)	(111,900)	(121,200)	(127,200)
Capital	85,100	85,100		
Cost/(Saving)	18,200	(26,800)	(121,200)	(127,200)

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

Option B

	2009/10 Worst Case	2009/10 Best Case	2010/11	2011/12
Revenue	(46,100)	(91,100)	(93,200)	(95,000)
Capital	217,700	217,700		
Cost/(Saving)	171,600	126,600	(93,200)	(95,000)

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

	2009/10 Worst Case	2009/10 Best Case	2010/11	2011/12
Revenue	125,500	125,500	128,300	130,800
Cost/(Saving)	125,500	125,500	128,300	130,800

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 £132,600 (2008/09 Base + 2% inflation) 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. The Conditions survey carried out by Capita Symonds has also identified a further £561,000 profiled across 5 years for a refurbishment and repairs programme for the Dome (paragraph 1.5)

Option D

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

SECTION 151 OFFICER'S COMMENTS

As highlighted above, the financial appraisal of options is not yet updated fully but the report should allow Cabinet to give an indication of the preferred option, which could then go forward as part of the budget proposals. 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 carefully in considering future options, in context of the Council's financial context and other competing demands and priorities.

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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