

**WINTER GARDENS  
29 April 2009**

**Report of Chief Executive**

**PURPOSE OF REPORT**

To enable the Council to determine what support it should give to the Morecambe Winter Gardens Preservation Trust with its project to restore the Winter Gardens and bring it back into operational use as a multi-purpose cultural facility and entertainment venue.

This report is public

**RECOMMENDATIONS**

1. That the Council considers whether, in principle, it supports the restructuring of its cultural services provision centred around the Winter Gardens, accepting that this would involve closure of the Platform, in addition to the scheduled closure of the Dome, as well as the redirection of other resources away from other cultural venues across the district.
2. That subject to the above, Cabinet be requested to develop these and other budget savings proposals in order to provide full funding for the Winter Gardens project (both one-off and ongoing revenue, and any capital elements), and that such estimated funding requirements be based on any further appraisal work needed, to ensure that estimates are robust.
3. That subject to the above, the Council supports, in principle, the Trust's aspirations for the Winter Gardens and approves the submission of funding bids for the capital phase of the Winter Gardens project to the NWDA and the HLF, in addition to the bid for Sea Change funding, with the Council accepting in principle the role of accountable body.
4. That the submission of such funding bids be subject to:
  - no funding offer being accepted or related contractual obligation being entered into, prior to full Council considering a full appraisal of the project and its likely impact on existing Council service provision, in particular the savings proposals from recommendation (2) above, as well as a full assessment of all other relevant considerations including overall affordability, prudence, value for money, and legality issues;

- other partners and stakeholders acknowledging the Council's need to have complete and robust information regarding the proposal, as well as them recognising the Council's financial position overall;
  - sufficient funding being identified and approved by Cabinet, to address any resource / capacity issues leading up to re-consideration of the project by Council, and it being acknowledged that such work (and associated costs) may prove abortive.
5. That should ultimately the project advance further, it be noted that this would be subject to the following conditions, as a minimum:
- effective partnership working between the Council, the Trust and the new Arts and Entertainment Trust respectively over the whole life of the project, i.e. through capital and operational phases and ongoing maintenance and renewal;
  - securing pre-approval funding from the NWDA to undertake further development work for the capital phase, including design work to the required stages;
  - assurance that project development and delivery, and ongoing implications, fit to funding availability and affordability;
  - assurance that all contractual matters meet legal requirements;
  - obligations being placed on (and met by) the Trust to strengthen its capacity as regards delivery of the capital phase;
  - the setting of delivery obligations for the capital works phase and including for the involvement of Council officers in project management and procurement as required to properly protect the Council's interests;
  - provision for the early establishment and constitution of the proposed new Arts and Entertainment Trust to take forward the required pre-operational development work and operational management thereafter;
  - a requirement for the Arts and Entertainment Trust to procure a high calibre expert professional team for the pre-operational and operational phases;
  - determination of an appropriate contractual period for the period of any support for (or service level agreement with) the Trust, or associated Operator of the facilities.

## **1.0 Introduction**

- 1.1 The Economic Regeneration Vision for the Lancaster District, produced by the Vision Board and endorsed by Council at its meeting on 12 July 2006, Minute No 39, identified that the linchpin of the Vision is to break down the barriers between Lancaster and Morecambe and other parts of the District uniting its people and its resources into a balanced and social community. The Vision acknowledges that tourism and leisure was an essential part of the District's past and that it will be integral to its future. Morecambe will be reinvented as the place for quality leisure, entertainment and living.
- 1.2 The Vision highlights seven key transformational projects. One of these is:
- "The reinvention of Morecambe as a centre for quality leisure, entertainment and living and connecting it to the regional and national motorway networks.

If we are to function as a coherent whole, the revitalisation of Morecambe is critical to the success of the entire district. Morecambe has as captivating a geographical position as anywhere in Britain. The integration of Lancaster and Morecambe, bringing together the strengths of both centres, has the immediate effect of doubling the size of the district's economic base, going some way towards achieving the critical mass that it presently lacks. And by sharing the economic progress and success of Lancaster across the whole of the district and by connecting Morecambe and Heysham to other regional economic centres we avoid the intolerable and unsustainable position of being a district of two economic halves – consisting of the haves and the have nots. For the people of Morecambe, the Winter Gardens is seen as a symbol of its economic status and of local pride. Its revitalisation with a new 21<sup>st</sup> century usage will be specifically targeted as a sign that Morecambe has turned the corner.”

1.3 The Vision, when commenting on the role of culture in the District, states:

“What we have in this provision is some localised quality and centres of excellence, however it is all rather low key, somewhat disparate and disjointed and offers no major centrepiece for the district's arts and culture scene.

We also need to see a better balance of offering between Morecambe and Lancaster. At present, the arts scene is very much focused upon Lancaster, it being the primary commercial centre of the district and the primary base for academics and students, however we need to see over time that balance redressed and further facilities being provided for the people of Morecambe, as part of its regeneration. That said, we need to think in terms of the arts and culture needs of Lancaster and Morecambe as a whole but then ensure that the location of venues is appropriate to maximise participation and enjoyment across all parts of the district.

In order to address the disjointedness of our offering, we need improved amplification, through joint promotion, of what is already going on in the district. This is partly about communication, ensuring that everyone is aware of what is taking place, but equally it is about district cohesion, encouraging people from Morecambe to attend cultural activities and spend the evening in Lancaster and vice versa. It will also enhance the image of Lancaster and Morecambe as a coherent city and will serve to increase revenues and therefore the viability of all the district's different venues.

In order to increase the quality and range of our provision, we believe there is a need for a new quality performance venue in Morecambe, to replace the Dome but also because the Platform is not of an adequate quality to meet local needs. Such a new venue should cater for community performance and dance but also should broaden the district's professional drama and performance offering. This could be a restored and restructured Winter Gardens or it could be a new building elsewhere in Morecambe.”

## **2.0 Background to the “Sea Change” Bid**

2.1 In February 2008 Cabinet considered a report on Sea Change, a new Department for Media, Culture and Sport (DCMS) grant funding scheme (administered in the northwest via the Commission for Architecture and the Built Environment (CABE) and the Northwest Regional Development Agency

(NWDA)) to support cultural / heritage regeneration in seaside towns. In July 2008, after consultation with portfolio holders, officers submitted an expression of interest centring on a potentially transformational set of project proposals around the Central Promenade Area and including the Winter Gardens.

2.2 CABE shortlisted this and invited a full bid but the NWDA advised strongly that the bid should be focused on a single clearly identifiable project that might achieve a high profile nationally. The Winter Gardens was the obvious candidate given its history, heritage, cultural associations, location on the seafront in the centre of Morecambe. Crucially the criteria for Sea Change fit the broad aspirations of the Morecambe Winter Gardens Preservation Trust (the Trust), owners of the building.

2.3 It should be noted that the guidance for Sea Change applications sets an expectation that project bids should evidence local authority financial (cash) support (capital and revenue) and in kind contributions and working with an established cultural organisation. Other support should come from public, private and voluntary organisations.

2.4 Since early 2008 the Trust has focused its energies on preparing a scheme for the full repair, restoration and re-use of the building. The first Project Planning Phase involving some £65,000 of expenditure was funded mainly by the HLF. It was completed by the end of 2008 with the production of the following reports by consultants:

- Conservation Management Plan (a document detailing the building, what needed to be conserved and which parts could be developed for supporting services)
- RIBA stage A / B plans and costs
- An Audience Development Report
- An Access Report
- A Training Plan
- An Interim Business Plan

2.5 In June 2008 Cabinet authorised that the Council should be Accountable Body for a second development phase and this was funded by the NWDA with a £300,000 grant. It was to complete by the end of March 2009 and was to involve:

- Preparation of plans and costs to RIBA stage D
- An acoustics report (to include seating options)
- A specialist lighting plan, specifications and costings
- Heating design/energy report
- Feasibility, cost of and design of a hydraulic floor
- Feasibility, cost and design of a moveable extension to the existing stage
- Measured survey & creation of a digital virtual model in order to create accurate plans & allow 3D representations of proposed plans
- A preliminary structural & civil engineers report
- An ICT strategy report
- Catering study to identify what could be offered, the delivery model, costs of set up & potential income
- A detailed theatre/events study
- A heritage interpretation & events plan

- A marketing programme to include additional market research & the development of a market brand
- 2.6 The final output for this phase was to be a working Business Plan (with a comprehensive budget). The Trust appointed a Project Manager to coordinate the various studies and submit funding applications. The Accountable Body monitored progress by the Trust during 2008/09.
  - 2.7 On 7 October 2008 Cabinet endorsed the submission of a Sea Change funding bid based on the restoration of the Winter Gardens and requested a further report on the implications for the Council if it took the role of Accountable Body for this project. On 27 October 2008 the Trust received the first business planning output in the form of an Outline Business Plan. This outlined a project for the full repair and restoration of the building as a multiple-use, heritage based performance venue and suggested a capital cost in the order of £12.5 million.
  - 2.8 Late in 2008 it was announced that the deadline for the final “wave” of Sea Change applications was brought forward from June 2009 to the end of April 2009. This placed substantial pressure on the Trust given that its consultants’ final reporting was programmed for end March. Subsequent to this, in late January 2009 the Trust requested the assistance of the Council in preparing funding applications to Sea Change, the NWDA and the HLF for the capital costs.
  - 2.9 On 12 February 2009 officers were instructed to project manage the funding bids and have liaised with the Trust as appropriate since that time. Work on the bids and drafting of this report have run in parallel with the main reporting from the Trust’s consultancy team. Business Plan Version 1 was issued on 27 February 2009. This report is informed by various elements of the Trust’s reporting and in particular Version 2 of the Business Plan (16 March 2009) which identifies the total cost of the capital phase at some £12.8 million of which some £300,000 is towards pre-operational “soft” costs (described further in para 4.63). The final version (3) of the Business Plan was issued on 30 March 2009 but there has been insufficient time to reflect for this final version fully in this report.

### **3.0 History of the Winter Gardens**

- 3.1 The Winter Gardens complex of buildings opened in 1897 based on a redevelopment of the Peoples’ Palace and neighbouring baths. Its central attraction was variety theatre or grand music hall actually named the Victoria Pavilion that could seat over 2000 people. This is all that now remains of the original complex that also contained a ballroom, aquarium, restaurant, seawater baths and bars.
- 3.2 The Pavilion had a fine early history but went into decline in the latter half of the 20<sup>th</sup> Century finally closing in 1977 due to unsustainable losses. This decline is largely attributed to changes in expectations and tastes for leisure and entertainments as with the market offering people other alternatives for how to spend leisure time and most people having ever increasing abilities to exercise choice.
- 3.3 For some 30 years from 1977 the building was in various transient ownerships. Its condition deteriorated. It was spot listed amid concerns it

might be demolished. It was upgraded to Grade II \* in 1982 putting it in the top 6% of listed buildings.

- 3.4 The Friends of the Winter Gardens was established in 1986 in response to the disuse and decline of the building. It campaigned for its protection and reopening and got involved in cleaning it and undertaking urgent repairs. Repair and enveloping works in 1996 saved the building. These were publicly funded with Council help and involved re-roofing, eradicating rot and works to the façade and rear. In 1997 the Friends registered as a charity to raise funds to purchase the building. There are approximately 700 Friends. The Friends have undertaken a variety of work to enable some use of the auditorium, albeit with limitations, including for guided tours, heritage open days, amateur dramatics, events and exhibitions. This is the current use position.

The Friends established the Trust in 2006 as a vehicle to purchase the Pavilion. The stated objects of the Trust are:

“To preserve for the people of Morecambe and Heysham and of the Nation, the historical, architectural and constructional heritage that may exist in and around Morecambe and Heysham in buildings of particular beauty or historical, architectural or constructional interest”.

- 3.5 The Trust now owns the building and complements the work of the Friends. The Trust's aims are:
- To protect the Victoria Pavilion for the education and enjoyment of future generations
  - To refurbish the theatre in keeping with its listed building status and in preparation for a viable re-use
  - To reopen the theatre as a multi-purpose venue run as a charitable enterprise.
- 3.6 The Trust has no paid staff but some 30 active volunteers. It has focused on preparing a project for the full repair, restoration and re-use of the building and work towards funding applications.
- 3.7 Today the building is a very prominent landmark on the seafront with a historic and architectural significance deriving variously from its illustrious past, physical features and cultural associations. The Winter Gardens is one of only a few surviving examples of its type and retains many original features, a number of which exhibit high craftsmanship. Notable interior features include the foyer's mosaic tile floor and revolving doors and mosaic first floor landings and the impressive auditorium with arched ribbed ceiling and boxed seats with decorative mouldings. Externally the theatre retains its iron framed roof and ornate Art Nouveau style brick façade.
- 3.8 The building today is watertight and there is as yet no significant progressive deterioration. To bring the building into any form of sustainable use will however require very significant works to repair and restore historic and architectural features and interventions to upgrade and equip facilities and accommodation to meet contemporary standards and expectations.

## **4.0 Proposal Details**

- 4.1 The Trust has made its proposal in a letter to the Council dated 23 March 2009 and this is included as Appendix 1 to this report. The letter proposal is supported by a weight of documentation to evidence and support the Trust's proposal.
- 4.2 The Trust proposes that it lead a project to fully repair restore and upgrade the Winter Gardens to accommodate multi- uses with a dual focus on resurrecting its use as a performance venue and revealing its heritage interest to the widest possible audience via creative interpretation and education. Its ambition is that the Winter Gardens can once again be at the heart of what Morecambe has to offer for the benefit of residents and visitors alike. It wants the building in all its splendour to be open to all to enjoy for its heritage and offering a range of facilities and entertainments. It considers that a vibrant Winter Gardens with high profile quality stage and performance acts would be a massive draw and be a great leap forward for Morecambe's regeneration and put the District firmly on the regional cultural and entertainment map.
- 4.3 With the help of funding from the NWDA and HLF, and the advice and support of City Council officers the Trust has undertaken a huge amount of work to prepare the way. It has produced a detailed Business Plan supported by a wide range of technical and feasibility reports. The key reports are:
- A Conservation Management Plan
  - An Audience Development Plan (incorporating an Access and Training Plan)
  - Building works designs to Royal Institute of British Architects (RIBA) Stage C
  - Interpretative Plan
- 4.4 Together, these reports:
- Describe the building works required to conserve and enhance historical and architectural features via careful repair and restoration and the works required to upgrade and configure spaces and facilities to meet contemporary standards and functional requirement.
  - Evidence how a capital investment of some £12.8 million (inclusive of the £12.5 million costs of building works plus £300,000 in soft costs) is needed to restore the building and its historic features and bring it into flexible and multi-purpose use.
  - Describe the uses proposed and how these will integrate to create a unique entertainment heritage / cultural and social offer for the benefit of local people.
  - Describe the target market for the new Winter Gardens and how it should operate to grow and develop its markets and customer base.
  - Propose a very creative heritage interpretation and education offer, the target audiences for these and how audiences should be developed.

- Set out parameters for the operational phase including for governance, creative leadership and operational management, marketing and financing and estimate income and expenditure.
- 4.5 The Trust's proposal and specifically the Audience Development Plan is supported by market research including primary research, comparator research and venue / operator and event intermediary / promoter consultations. The Plan states that key to the use of the building will be the ability to welcome and accommodate casual visitors in tandem with bookings for the main auditorium and multi-use spaces. Health and safety and escape requirements are a significant factor.
- 4.6 The Business Plan identifies the following key building opportunities and constraints:

**TABLE 1 – BUILDING OPPORTUNITIES AND CONSTRAINTS**

Opportunities	Constraints
<ul style="list-style-type: none"> <li>• A prominent exterior and seafront location</li> <li>• A stunning and ornate interior</li> <li>• Many original features intact or capable of restoration</li> <li>• Large auditorium unencumbered by division and large open stall area</li> </ul>	<ul style="list-style-type: none"> <li>• Limited foyer areas</li> <li>• Principal spaces separated by stairs, unable to accommodate modern service needs and largely inward facing</li> <li>• Site largely landlocked with very limited exterior space controlled by the Trust</li> <li>• Substantial upper sections of seating un-useable for modern audiences with rakes making them incapable of alternative use without substantial intervention</li> <li>• Sloping stalls unsuitable for non-performance use without platforms / levelling structures</li> <li>• Listed Building status</li> </ul>

- 4.7 In summary, the Trust proposes:
- A main auditorium with a capacity for over 800 people capable of being used in a variety of formats and configurations including traditional stage based, in the round and open flat floor formats for stand up concerts
  - A multi-purpose space for use as a 100 seat art house cinema
  - A dance / fitness practice room
  - A learning space for schools / visits / family activities
  - A community digital recording resource space for sound and film editing
  - Office space
  - Café and bar facilities – on the ground floor a dual purpose facility for drop in from the street and for trade, cabaret and event dining internal to the building; on the first floor a second bar area and adjoining lounges



- Heritage interpretation space, displays, objects and interactive activities spread about the building
  - Services for all visitors – ticket sales area, retail, toilets, cloak room, crèche
  - Dedicated spaces for auditorium use e.g. dressing room / storage
- 4.8 The Business Plan rules out a restaurant and hence kitchen facilities would be for final preparation and service only i.e. catering services brought in.
- 4.9 The main building works interventions proposed are:
- Punching through connections between the main front range at ground floor (street) level to better connect the outside of the building with the auditorium.
  - Provision of moveable platforms and an electro-mechanical system to enable the stalls to be used in a flat floor, raked or tiered seating configurations, avoiding the need for any permanent interventions to the original flooring.
  - Retention of the fly tower in its present form to enable events requiring flying of drapes etc plus a basic installation of pulley systems and grid to support them.
  - Addition of a multi-story annex in the location of the former manager's house to provide toilets, offices, multi-purpose room including for the arthouse cinema, community digital recording facility, service kitchen (final preparation and service for functions).
  - Removal of a level of seating at the upper floor level to create a useable space behind the external frontage terrace for functions etc.
- 4.10 Key points about the programme and funding proposed for the capital (building works) phase are:
- The Trust assumes a contract works start early in February 2011, works completion by the end of March 2012 and operational commencement in July 2012.
  - The deadline for Sea Change financial completion is the end of February 2011. [Therefore, ostensibly the programme does not fit to likely funding availability - this is a critical project risk covered further in para 4.49].
  - The Council would make funding available to the Trust either via a Grant Agreement or via a Funding Agreement.
- 4.11 As regards the operational phase the Trust proposes to establish a charitable Arts and Entertainment charitable company (Arts and Entertainment Trust) to manage the main operations and also a trading company for the retail and / or café / bar operations. The Business Plan identifies the need for the new Arts and Entertainment Trust to have a strong management team and an outstanding Chief Executive / Creative Director.
- 4.12 The Business Plan identifies cost areas and suggests the main revenues will be from the entertainment programme and, secondary to this, catering and bars, corporate, sporting and community events, heritage, arts and community events and retail activities. Grants and fund raising will support this. Version 2 contains optimistic, core target and pessimistic forecasts (rounded to the nearest £1,000) and these,( as revised on 17 March 2009), can be summarised as follows:

**TABLE 2 – INCOME / EXPENDITURE ESTIMATES (mean per annum),sourced from revised figures as provided on 17 March 2009**

<b>ESTIMATES</b>	<b>Optimistic</b>	<b>Core target</b>	<b>Pessimistic</b>
<b>Total income</b>	£744,000	£461,000	£248,000
<b>Total expenditure</b>	£873,000	£830,000	£791,000
<b>Operating deficit</b>	£129,000	£369,000	£543,000

- 4.13 The Business Plan contends that it is to be expected and is entirely normal for a venture of this kind to run at a substantial deficit with a need for public funding support in one form or another.
- 4.14 The Trust considers that the newly refurbished Winter Gardens would offer a unique cultural and heritage development opportunity and that the Council should review its delivery of cultural services and re-shape these around the new Winter Gardens to achieve more choice and diversity and to secure more value.
- 4.15 In summary, the Trust requests (as shown at Appendix 1) that the Council:
- Lead on work to prepare funding applications to Sea Change, the NWDA and the Heritage Lottery Fund and submit these on its behalf, but with the latter referencing the Trust as effective joint applicant.
  - Act as Accountable Body for all external capital funding and provide cashflow support to the Trust.
  - Make available capacity support to the Trust (i.e. advice and assistance) in delivering the capital works.
  - Provide a £300,000 revenue contribution to the Trust in 2011/12 towards pre-operational soft costs unlikely to be eligible for external funding - including staffing up, marketing and programming.
  - Enter into a Service Level Agreement (SLA) with the Trust on an ongoing basis from 2012/2013. Under this, the Trust would contract to deliver a range of performances, events and services to the Council for an annual payment provisionally estimated (by the Trust) at £350,000 at 2009 prices. The SLA would oblige an entertainment programme of a specified range and quality and a unique mix of interpretive, education and social offers centring on the heritage and historical interest of the building and its cultural associations.
  - Review its cultural services delivery to best configure these in support of an operational Winter Garden from July 2012. Specifically it suggests that the Council consider closing the Dome and find a new use for the Platform so that entertainments in these might be provided instead at the Winter Gardens.
  - Make provision for a one off £250,000 revenue contingency buffer to protect the Trust from inevitable uncertainty as to income generation in the early years of operation from July 2012.

## **5.0 Details of Consultation**

- 5.1 The Head of Cultural Services has provided a detailed comment on the Trust's proposal and the issues it raises (note as largely informed by Version 2 of the Business Plan 13 March 2009 –). This is included in full at paras 6.22 to 6.44. In making this the Head of Cultural Services makes the following caveat:

“The commentary on this complex project has had to be undertaken over a short period, and involved studying a large number and variety of documents. On that basis and without direct access and contact to the consultants and the specialist authors of the documentation, in some cases the commentary has had to make assumptions.”

- 5.2 In addition, in the short time available, officers from finance, legal, cultural and planning services have had input to project appraisal and risk assessment work.

## **6.0 Options and Options Analysis (including risk assessment)**

### **Introduction**

- 6.1 It is important to appreciate that the Trust makes one proposal and could not at this late stage switch to an alternative proposal and meet the end of April 2009 deadline for the Sea Change application. There are therefore only two options available to Cabinet as a response to the Trust's proposals:

- (1) To endorse the Trust's objectives and recommend that Council support the proposal subject to conditions as necessary to properly protect the Council's interests. It should be noted that at present, however, there is insufficient information available to Members on which to base any decisions to enter into any major contractual obligations, including formally taking on the accountable body role, or to agree such a major change to the existing budget and policy framework. As such, whilst funding bids could still be pursued, it would be on the basis that their acceptance would be subject to further consideration by Council.

- (2) To decline to endorse the Trust's proposal

Dependent upon which option the Council selects there may at a later date need to be decisions taken on consequential options and these are explored further in the options analysis.

### **Option 1 Analysis and Risk Assessment**

- 6.2 The Trust's proposal is outlined in Section 2 above. Council officers asked the Trust to look at alternatives (i.e. undertake an options assessment) before deciding on its proposal. The Business Plan evidences that the Trust considered the following:

- Status quo – whereby the Trust continue to use the building in a limited way as constrained by its condition and Health and Safety requirements and that no capital investment is forthcoming. This is the nearest to a ‘do nothing’ option’.
- Disposal to a third party and that party refurbishes the building without recourse to public or lottery funds.
- Full repair and restoration for multiple use centred on its being a performance venue.
- A more modest refurbishment scheme, excluding the proposed new build extension, but including full fit out of the auditorium and fly tower.
- As the latter but without fit out of the fly tower.

6.3 Of these the Trust proposes full repair and restoration. This is tremendously ambitious and presents very many issues and a complex range of often very high risks. Inevitably an analysis such as this focuses heavily on risk but it is important not to lose sight of the potential rewards. To summarise these centre on what the project would achieve in conserving the building and making its heritage available for all to enjoy, in adding to the quality and diversity of the cultural offer within the District and in driving forward Morecambe’s regeneration. A strong commitment by the Council to the project would be essential to secure these. In this, the Council’s Cultural Services and Planning Services would have crucial roles, the former in directing cultural delivery via the Winter gardens, the latter in integrating the project into planned area-wide regeneration delivery via the proposed new Area Action Plan. The main potentials, drawbacks and key risks associated with both capital and operational phases of the Trust’s proposal are summarised in Table 3 below:

**TABLE 3 – THE TRUST’S PROPOSAL**

Potentials	Drawbacks	Key Risks
<ul style="list-style-type: none"> <li>• Strong fit to City Council’s Corporate Plan and Economic Strategy and the LDLSP’s Sustainable Community Strategy, regional and sub regional objectives, Regional Economic Strategy and NWDA vision for NW Coastal resorts (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• Very substantial costs of the capital phase (approx £12.8 million including pre operational soft costs) mean this would be a very high public investment into one enterprise, however multi – faceted i.e. there is an opportunity costs issue for the public purse.</li> <li>• The present</li> </ul>	<ul style="list-style-type: none"> <li>• The Trust hasn’t the capacity to deliver</li> <li>• Regulatory risk e.g. Listed Building Consents and Health and Safety approvals not forthcoming or difficult to secure</li> <li>• Funding cannot be drawn down to fit programmed expenditures</li> <li>• Building works not completed on time</li> <li>• Capital cost overrun</li> <li>• Time / cost issues force false</li> </ul>

<ul style="list-style-type: none"> <li>• Project aspirations are consistent with Community objectives, Council corporate objectives and approved new Regeneration Framework</li> <li>• Strong fit to the Morecambe Resort Action Plan and the Council's spatial planning priority for the proposed new Morecambe Area Action Plan.</li> <li>• Good prospects within the next five years of significant area – wide improvements in the immediate via redevelopment of the central promenade, the proposed second Morecambe THI "A View for Eric" and development and improvements via the Area Action Plan.</li> <li>• High strategic impact, raising profiles and opportunities for branding and marketing both Morecambe and the District</li> <li>• Direct regeneration benefits in job and skill outputs</li> <li>• High regeneration impact by establishing a significant valuable addition to Morecambe and the District's heritage and</li> </ul>	<p>spatial context is not as supportive as it might be for a proposal of this significance i.e. the quality of the building surroundings, accessibility and legibility for pedestrians, transport connections and quality of parking provision</p> <ul style="list-style-type: none"> <li>• Responsibility would be on the Trust to deliver the capital works and there are presently serious concerns as to its capacity</li> <li>• Workload requirement for the Council in preparing and supporting several funding bids means other projects are to a degree compromised.</li> <li>• Significant responsibility placed on the Council in role of accountable body</li> <li>• Substantial workload requirement on the Council in building the Trust's capacity and providing support i.e. a further opportunity costs issue given the Council's project support resources are very limited</li> <li>• Significant uncertainties as</li> </ul>	<p>economies to works and fitting out and quality compromises.</p> <ul style="list-style-type: none"> <li>• Improvements identified as needed to the spatial context cannot be delivered in a timely manner and prejudice the operational phase e.g. public realm improvements to the Central Promenade Area and completion of the Heysham / M6 Link.</li> <li>• Failures in the operational development stage mean the operational phase is not properly planned and prepared for</li> <li>• Business model may be flawed with any of 1) conflicting operational objectives that cannot be reconciled satisfactorily 2) over optimistic projections of custom and audiences and 3) marketing / audience development / programming failures</li> <li>• Revenue deficits may prove higher than estimated in the Business Plan</li> <li>• Reputation risk to the Council in the event of project failure</li> <li>• Financial risk to the Council commensurate with 1) its role as Accountable Body 2) its investment decisions i.e. any sunk / abortive costs that prove irrecoverable 3) Ongoing revenue</li> </ul>
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<p>cultural offer and adding to the diversity of this offer</p> <ul style="list-style-type: none"> <li>• Deliver a performance space of unique character and ambience ranking with the best that Manchester, Preston and Blackpool have to offer</li> <li>• Add a new visitor / leisure offer that, together with the new Midland Hotel could anchor the attraction of the central promenade area and draw substantially increased visitor numbers.</li> <li>• Save and secure the future of a heritage building of national interest, a rare surviving example of C19th theatre complex</li> <li>• Save and secure a building iconic to Morecambe and very significant to its history townscape on the Victorian central seafront</li> <li>• Multi-purpose facilities offer a potential to be a community hub and will offer practise and performance space for professional use</li> <li>• A significant resource for heritage</li> </ul>	<p>to the market for what is proposed, viability of the business model and its sensitivity to market change.</p> <ul style="list-style-type: none"> <li>• Requires the Council to review quite fundamentally how it might align its cultural services and offers and regeneration initiatives to maximise support to the proposal</li> <li>• Significant uncertainties as to whether the proposed arrangements for operational management would be achievable, and how robust they would be</li> <li>• Adverse displacement effects on other entertainment venues e.g. The Grand Theatre, Lancaster and the Midland Hotel (social functions, conferences etc)</li> </ul>	<p>support</p> <ul style="list-style-type: none"> <li>• Implications for the Council in the time and effort involved in supporting the project and risk this proves abortive</li> </ul>
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- 6.4 The Trust's Business Plan includes a risk register and describes in some detail the potentials to mitigate risk. In addition, Council offices have undertaken a Local Project Appraisal (summary attached at Appendix 2 to this report) and a limited risk assessment (attached at Appendix 3) –informed by reporting as available up to late March 2009 and specifically Version 2 of the Business Plan (not the final Version) – and both inform this report.
- 6.5 This report explores risks and potential mitigations under the following headings:
- Project concept and definition
  - Market issues
  - Delivery arrangements, capacity and commitment
  - Cultural, strategic linkage

### **Option 1 analysis - project concept and definition**

- 6.6 The Trust's proposal is founded in its regard for the building, its heritage and history and in its belief that the Winter Gardens is worthy of very substantial capital investment to bring it back into beneficial use and that this use should be for as many uses as possible (i.e. multiple use with flexible spaces) but with the predominant use being that as a venue for large performances. It wants to see cultural activity and live performance in Morecambe very much focused on the Winter Gardens and its output. It considers this will give Morecambe a new entertainment hub and importantly a much desired wet weather attraction on the central seafront (that in turn this will bring huge benefits to Morecambe and will push forward the regeneration of the town).
- 6.7 Full repair and restoration has a high cost, estimated in the Trust's Business Plan at some £12.8 million in total for the capital phase (including £300,000 anticipated pre-operational soft costs). This is not an order of cost that the private sector would ever be likely to bear for a proposal such as this. Funding bids to Sea Change, the NWDA and the HLF, however, offer an opportunity to secure some £12.45 million of this. Failure to meet the Sea Change "wave" three, end of April deadline would, however mean that the NWDA and HLF are the only sources available and it is unlikely that these two alone would consider that the Trust's proposal merited investment of the scale required i.e. £12.45 million between them (it is understood that HLF grants are capped at £5 million).
- 6.8 It should be noted that, as stated in 4.2 above, the Trust has considered bringing forward a more modest proposal with reduced capital costs (in the order of £8.5 million) but has discounted this because it would be a severely compromised proposal with very much lower potential benefits as compared to the full repair and restoration proposal but with a very similar order of risks (including for the Council).
- 6.9 The Trust's proposal is at least in part defined by the timing of the funding opportunity. It is brought forward now after a very considerable effort but the Sea Change funding deadline and the fact this has been brought forward from

June 2009 has imposed a stress. Neither the Trust nor the Council has had time to properly consider and interrogate the later outputs.

- 6.10 Inevitably, the Trust's proposal is also shaped by knowledge of the aspirations, expectations and specific criteria of the various funding sources and attempts to pitch to these. As has been previously reported to Cabinet, restoration of the Winter Gardens in principle makes for an excellent fit to the cultural regeneration aims of the Sea Change programme. Heritage Lottery funding very obviously focuses on the heritage elements of the proposal but by no means for its own sake, rather the interest of the HLF is primarily concerned about making heritage accessible to the widest possible audience including via interpretation, education and community engagement. The NWDA takes very many factors into account but economic value is key.

#### Option 1 analysis - market issues

- 6.11 There are inevitably significant market uncertainties and questions about the viability of the business model and its sensitivity to market change. The Trust's Business Plan covers these in some detail in section 6. The Plan states that the Winter Gardens, with an 800 plus capacity as a performance venue, can fill a sub-regional gap in the market with the nearest alternative venues at this scale being in Blackpool or Preston and with none to the north for a very considerable distance. It suggests that the Winter Gardens could become the venue of choice for larger events in the Morecambe Bay area as people within this area tend to travel to Manchester for entertainment that utilises auditoria of a similar scale. It further suggests that promoter venue loyalty is relatively limited and provided a venue has sufficient capacity to fulfil their acts and the market potential and sufficient catchment to provide this they will tend to use it. In this regard the M6 Link is seen as critical. It is due for completion in 2014.
- 6.12 Research for the Audience Development Plan informs commentary in the Business Plan. It identifies the following key messages, challenges and opportunities:
- A majority of people surveyed thought the Winter Gardens would be a venue for them but there is a big perception issue to overcome about Morecambe as a place for all audiences but especially for visitors and students.
  - Poor accessibility by road.
  - Residents and visitors want live music, musicals and drama and students want live music and some stand up comedy and events and festivals.
  - Quality, type of entertainment and ticket price are the three defining factors for people choosing a venue but convenience factors are also important e.g. parking, ticketing. The history of the venue is not a relevant factor.
  - There is generally good support for the restoration project.
  - Residents think there should be a range of entertainment available but many people would not themselves attend often, if at all.
- 6.13 The Business Plan is cautious about "wish lists and reality". It highlights uncertainty as to what extent the local catchment of Morecambe and the wider District would actually support the proposed uses ? It indicates that the greater potential might be in the catchment 15-30 minutes drive away rather



than that in the 0-15 minutes catchment. It says there is hope but a significant question mark about the extent it will pull custom and audiences from farther afield and whether people will come in sufficient numbers?

- 6.14 Another uncertainty is the range / mix of performances and programming achievable. There is risk that the outturn accommodation does not fit or is not sufficiently flexible. Equally the range / mix / quality of events and performances and functions envisaged may not be achieved.
- 6.15 The Business Plan considers that demand to put on entertainment product at the Winter Gardens will be a combination of: supply led demand (i.e. product newly available within the local market that had no outlet before; transferred demand (e.g. product currently programmed at the Dome or the Platform) and displaced demand (from other venues). The Plan identifies the competition and the need for venues to work together to avoid poaching of acts and to minimise displacement.
- 6.16 The Business Plan also covers the markets for sporting, social and community events. It considers that the venue and the main auditorium should find demand given its distinctive features and atmosphere but that use of supporting spaces will be largely ancillary given the significant competition in the local area.
- 6.17 Perception challenges are however a significant concern. Known deficiencies in the quality of the local environment and in its ambience and appearance may impact on custom levels. How people arrive in Morecambe (whether by car / bus or rail) and how easy, convenient and safe they perceive their journeys to be from door to door and including as a pedestrian in central Morecambe will be critical. Questions to consider include:
- Are transport options to and from Morecambe good enough to support it?
  - Is the scheduling, frequency, speed and quality of train services supportive?
  - Is the location, availability and security of parking facilities good enough?
  - By whatever means people arrive in central Morecambe is the ambience right?
  - Upon arriving is the pedestrian environment legible (clear) enough i.e. for people to easily find their way to / from the Winter Gardens?
  - What will it feel like to people arriving after dark?
  - Is the choice of overnight accommodation good enough?
  - Is the scale and quality of complementary food and drink offers and accommodation offers good enough?
- 6.18 Any remedies are beyond the scope of the Trust and are really for the Council either to act or lead on.
- 6.19 As is known the Council has been active over many years to progress the regeneration of Morecambe, not least in the transformation of the pedestrian Promenade and facilitating the Midland Hotel project, but there is still very much more to do. The Council recognises this in its new approved Regeneration Framework and will prioritise preparation of an Area Action Plan for Central Morecambe that should put in place a coherent deliverable, spatial plan to drive for regeneration forward. Complementary to this is a range of ongoing and planned regeneration and development activity

including redevelopment of the central promenade area, the proposed new Morecambe THI and development of key sites such as Frontierland.

- 6.20 The second THI 'A View for Eric' (if approved) should help uplift the immediate area by targeting grant aid towards the repair and restoration of properties in the vicinity of the Winter Gardens and public realm improvements in Victoria Street and Skipton Street for example. But this will not touch into large areas around the Winter Gardens including land seaward in the Central Promenade Area and land to the south and rear. There is no certainty yet concerning central promenade area delivery or for wider Action Plan delivery.
- 6.21 There is therefore real risk that conditions in the local area are not conducive to what is proposed and that these will impact adversely on customer numbers and particularly repeat visits and in turn might prejudice the project and at worst contribute to its failure. This is something of a conundrum. What is proposed as a potentially transformational project may actually require, as a preceding condition, the very transformation (at least in part) that the project itself seeks to bring about.

#### Option 1 analysis - cultural, strategic linkage

- 6.22 Since July 2008, Lancaster City Council, with the support of "509 Arts" (consultancy) has been working to produce a new arts strategy for the district. The comments below (paras 6.23 to 6.44) represent interim statements within that process, but are neither draft nor final conclusions. The work undertaken to date has involved extensive research and consultation with a range of communities, partners and stakeholders to explore in some detail the landscape of arts provision and need across the district. Conversations have ranged from the strategic to the personal and covered a wide range of art forms and disciplines, utilising an inclusive approach - with results that are sometimes surprising, sometimes conflicting but always informative.
- 6.23 Although perhaps viewed primarily of heritage value within the regeneration of a traditional British seaside resort there is no doubt that the Winter Gardens could also play a significant role as a cultural centre within the district and sub-region. The Winter Gardens has the capability to more than just replicate the past, so long as the building is developed in a way that is appropriate to long term cultural use. The Winter Gardens should contribute to, complement and further enhance the district's reputation as a successful sub-regional centre for culture. Similar to the recently refurbished Midland Hotel, the Winter Gardens is an icon of Morecambe's heritage and a metaphor for regeneration within the district.
- 6.24 However, sustainability must be underpinned on a flexible and imaginative set of uses that influences its longer term potential. If it is to operate as a programming venue only, its local value will diminish. Conversely if it is only perceived to be local in character it will not attract audiences from a wide enough catchment area. To attract a groundswell of local and regional support the Winter Gardens will have to demonstrate a high level of cultural relevance in a number of areas, such as:
- A range of small scale arts activities, some of them amateur, that cover the visual and performing arts.

- An educational resource that includes early years, schools, further education, higher education and lifelong learning.
- Innovative programming that will attract both local and regional audiences.
- Access for local arts organisations to develop new work.
- Connectivity to the wider arts infrastructure of the district, the county and the region.
- A collaborative partnership with cultural players within the district and region.
- A willingness to embrace new technologies and imaginative uses of the building.
- A commitment to building new audiences from all sections of the community and of all generations.

6.25 The research and consultative processes undertaken to-date for the emerging arts strategy suggests that such operating principles will meet with accord. There is also a role for the Winter Gardens to play in helping to develop a joined-up approach to the arts in the district, with stronger collaborations and networks, an enhanced regional role and purpose and the recognition that Morecambe has a major role to play in Lancashire, South Lakeland, and the North West. To date, however, the Trust and its team has not undertaken much partnership and development work and key collaborations will need to be forged, including with the County Council.

6.26 For the Winter Gardens to be effective it must be seen to be led by a creative and imaginative set of principles that complement its heritage and build upon its history. It was constructed at a time when popular culture was epitomised by the music hall, but its closure some eighty years later reflected the technological and cultural changes that had resulted in the move away from live performance towards television and film.

6.27 A regenerated Winter Gardens must not be seen solely as an attempt to recreate the past. Such an approach will not be sustainable. The Winter Gardens must be part of a future cultural scenario where the authentic experience has value but is epitomised by the diversity of its programme. The programme must draw from different sources;- national and international artists and arts companies; the developing talents of students; the enthusiasm of local residents; emerging artists; the creativity of children and the maturity and experience of older people.

6.28 However, such an environment is not created overnight and the Winter Gardens will not open its doors with such a fully formed identity. But it must be able to create the conditions for growth and development that will maximise the potential for success. These should be built upon the foundation of a business plan that has:

- A strong brand that is attractive to a wide range of audiences.
- Realistic audience development plans that reflect the demographics and economy of the District and the sub-region.
- Well structured partnerships capable of contributing to the development of the Winter Gardens as a cultural hub.
- An entrepreneurial approach to income generation.
- Realistic risk management.
- An imaginative programming policy.

- Political support at local and regional levels.
  - Strong governance and robust cultural leadership.
- 6.29 The cultural ambitions for the Winter Gardens must not be modest. Despite the current economic downturn there will continue to be audiences for live events and authentic art. A vibrant venue in Morecambe must be capable of demonstrating a willingness to build its audiences and its income, to become a cherished cultural venue and above all to be part of a broad based cultural identity that embraces the many communities of the district.
- 6.30 Within such a competitive sector, this will require exceptional leadership (including governance arrangements) and a Director of national calibre will be necessary to take both the vision and the programme of the Morecambe Winter Gardens forward. The Winter Gardens has the potential to become a cornerstone of the cultural fabric of the district and the region that challenges assumptions about the use of heritage buildings whilst capitalising upon their valued place as iconic landmarks. (Based on observations by Alan Dix, 509 Arts and Lancaster City Council's Cultural Services.)
- 6.31 The City Council was invited in February 2009, to comment on various aspects of the Winter Gardens project and has reviewed the following documents;-
- Business Plan (271008 Report L&R Consulting- WG Outline Business Plan)
  - Proposed plans (08 018L(04)
  - 120209 Presentation BCA MWGPT
  - Audience Development and Training Plan
  - Morecambe Winter Gardens Interpretive Plan (draft interim report, Headland Design Assoc. 23/02/09)
  - Conservation Plan (BCA, Sept. 2008)
- 6.32 However, the commentary is primarily based on a desk-top exercise as Cultural Services has not had the opportunity to meet with the various consultants and specialist authors, nor to influence the project proposals.
- 6.33 It is understood and accepted that there is an inevitability that in seeking external funding via: Sea Change, the NWDA and HLF towards the project the major refurbishment outcome will by definition be a theatre/auditorium, with the provision of flexible, secondary ancillary spaces. However, whilst the Trust has clearly been engaged in a far-reaching and complicated project. What is unclear is how much, if any, influence that Cultural Services and its Key Cultural Partners located within the district had, or could have, on the building design in terms of identifying an existing arts organisation as an "anchor tenant" (already in receipt of revenue funding support from Lancaster City Council, Lancashire County Council and Arts Council England), within the overall Winter Gardens development.
- 6.34 To some degree the above serves to highlight an apparent dichotomy between the Building Design Plans and the Draft Business Plan. For example, the Draft Business Plan lists an ambitious and wide range of potential uses for the refurbished Winter Gardens, but it is not clear from the documentation reviewed how compatible the spaces allocated within the building are for such a mixed programme of use, and as importantly how

many of those programme uses can be undertaken simultaneously and to what level of occupancy for those respective programme uses? In its attempt to demonstrate flexibility and scope in terms of programme use the Draft Business Plan may have inadvertently lost focus on what the main structure will be – a theatre auditorium.

- 6.35 To illustrate that point further, the Building Design Plans seen to-date do not clarify how the seating area on the ground floor of the theatre/auditorium is transformed from a raked to a flat profile. The documents make reference to two options, one based on a mechanised hydraulic system and another based on a “blocks” system that supports seats. The example programme use within the Draft Business Plan lists activities such as;- Dinner Dances, Corporate Events, Sporting Dinners, etc., which inevitably lead to the assumption that the floor is flat. Clearly in terms of costs and time associated with setting up and striking down the area, the mechanised hydraulic system is the preferred option. The Trust has subsequently confirmed that it supports the “blocks” system and it is this system that is currently factored into the Business Plan. However, in the event that the “blocks” system prevails it is not clear where the 800+ seats would be stored when not in use and what the cost implications of this would be.
- 6.36 The mixed programme use is wide ranging and ambitious, but again it is not immediately clear from the Draft Business Plan whether the programme uses are solely within the ground floor of the main theatre/auditorium, or operating simultaneous (assuming the uses are compatible and meet the licensing requirements of the overall building) it is not possible to comment meaningfully on that aspect. For example, the Draft Business Plan suggest an illustrative “worst case” annual programme within the Winter Gardens comprising of;- 2 shows per week for 48 weeks, 8 weddings, 6 dinners, 2 corporate events; and 10 sporting dinners, mainly scheduled between Thursdays to Sundays. Clearly to such an extensive programme can only be accommodated on the premise that they are delivered simultaneously, by using different parts of the building. For larger events, such as sporting events (e.g. Boxing) or music concerts it is unclear whether setup and strike down time has been factored into the Draft Business Plan. Simultaneous access to and use of as many of the areas within the Winter Gardens will be key to the operational and financial success of the project.
- 6.37 Some of the proposed ancillary programme areas within the Draft Business Plan are “high end” activities, such as Weddings, Corporate Events and Dinner Dances, etc., and would entail the Winter Gardens entering into a highly competitive and fiercely active sector against a range of existing and successful small, medium and large scale operators within the district, including the Midland Hotel. The Draft Business Plan suggests that catering associated with such programme areas would be “bought in”. Again this is a key operational and financial aspect of a successful Winter Gardens, and it is suggested that this is the subject of an options appraisal of catering; - “in-house”, “bought-in”, or a “franchise”, and should ultimately lead to a review of the Building Design Plans in terms of catering space, build requirements and fitting, etc.
- 6.38 The financial projections within the Draft Business Plan are based on “best”, “moderate” and “worst” case scenarios. Experience gained in operating the Dome and Platform, as well as discussions held with the Grand Theatre Blackpool and the Brewery Arts Centre lead Cultural Services to the view that

the Draft Business Plan “worst” case scenario is in fact a “best” case scenario, particularly for the projected early years operation of the Winter Gardens. Accepting the Draft Business Plan’s original “best” scenario would represent even greater significant risks operationally and financially.

- 6.39 Cultural Services would also advocate a more conservative “worst” case scenario in terms of projected attendances, which based on experience of the local market and operating the Dome and Platform for a number of years, suggest that an average occupancy of 50% is ambitious, particularly when viewed alongside the proposed ticket prices as set out in the Draft Business Plan, which are significantly higher than current charges at the Dome and Platform.
- 6.40 With the exception of the Sea Change application, it is assumed that the current status of the NWDA and HLF bids are Preliminary or Stage 1 Bids, so in that sense may not yet be a requirement for the funding applicant to submit detailed five year financial business plans that better explain the details of an expenditure and income revenue budget. On that assumption Cultural Services cannot offer any meaningful comments on the outline financial data provided, but would be willing to give comment on more detailed financial projections (to include staffing costs, operating expenditures, cost of sales and income, etc.) that would normally be required as part of a Stage2/Final Bid submission to external funders. Within the same it is acknowledged that the Draft Business Plan does include a community use programme area. On the evidence within the document supplied to-date to Cultural Services, it is not currently possible to comment on the robustness of the associated operational and financial projections.
- 6.41 The projected operating deficit contained within the Draft Business Plan and how it could be addressed makes a number of assumptions that Cultural Services have not been party to and as such are unable to comment on at this stage. However, the Draft Business Plan makes reference to the need for an on-going moderate revenue contribution from the City Council. Provided that core operating targets are met this sum is estimated at £370,000 per annum. It is assumed that unless there is “growth” in the City Council’s budget then that contribution would have to be found from existing budgets. That issue also leads into the question of how a refurbished Winter Gardens would operate within the overall cultural offer within the district and specifically in relation to the Platform, which in effect would be in competition and in very close proximity. Members are reminded that a decision has already been made to close the nearby Dome facility during 2009/10 as part of the 2009/10 Budget process and that there is no further revenue budget provision for this operation beyond the current financial year.
- 6.42 One scenario would be that Lancaster City Council would also opt to cease direct operation and service delivery in the Platform and instead redirect those budget savings to support the projected contribution expected from Lancaster City Council to the Winter Gardens. There is a clear logic in such an approach in that it avoids duplication and ineffective “competition” between two venues operating within close proximity and funded by the City Council (the Platform “directly” and the Winter Gardens “indirectly” by receipt of grant). Based on 2009/2010 revenue budget that would yield £135,400 from the operation of the Platform). There would however be disposal and/or security costs associated with the future of the Platform premises, as well as potential lottery (Arts Council England) grant clawback through disposal or

change of use of the building and associated HR issues in terms of potential redundancies.

- 6.43 As is the case with Lancaster City Council's other Key Cultural Partners, such as Ludus, More Music, Litfest, the Dukes and Storey Gallery, who receive revenue support from the City Council, the process is managed in terms of delivering against the City Council's Corporate Objectives, via a Service Level Agreement (SLA). It is presumed that the same would apply in respect of the Winter Gardens.
- 6.44 It would seem logical to ensure that the specialist management knowledge and experience that is prevalent within Cultural Services should be utilised at this planning stage. Such expertise could help influence design issues in order to maximise programming opportunities and ensure day to day operational issues are considered. Similarly, it would seem beneficial for Cultural Services to play an integral role in the management of the facility when operational, but this would pose difficulties in terms of controlling interests and VAT implications.

Option 1 analysis - delivery arrangements, capacity and commitment

- 6.45 The Trust's delivery proposal for the operational phase is as per option A in the table below. The table enables ready comparison of this with the possible alternative options otherwise discounted by the Trust.

**TABLE 4 – OPERATIONAL PHASE**

<b>Options for operational management</b>	<b>Issues</b>	<b>Risks</b>
<p><b>A.</b> A new Arts and Entertainment Trust in an SLA with the Council and 2) a Trading Company</p>	<ul style="list-style-type: none"> <li>• The Trust's strongly preferred approach</li> <li>• Legal / governance issues</li> </ul>	<ul style="list-style-type: none"> <li>• Arts and Entertainment Trust capacity / capability</li> <li>• Work required to establish whether State Aid and / or Procurement law requirements can be met.</li> <li>• Whether key executive and creative personnel can be procured and retained with the required experience / leadership / management and creative skills</li> <li>• Effectiveness of partnership working between the proposed new Arts and Entertainment Trust and the Council</li> </ul>

		<ul style="list-style-type: none"> <li>as part of the SLA</li> <li>Failure defaults risks to the Council</li> </ul>
<b>B.</b> Trust leases the building to a single third party lead operator with potential for further sub letting	<ul style="list-style-type: none"> <li>Market interest on the part of potential operators</li> <li>Potential to bring in an experienced commercial operator</li> </ul>	<ul style="list-style-type: none"> <li>That no operator can be secured – there is none waiting in the wings</li> <li>In the event of the above there is no Plan B</li> </ul>
<b>C.</b> Trust leases the building to the Council for the Council to control operations	<ul style="list-style-type: none"> <li>Trust states this is unacceptable to it</li> <li>Very significant implications for Council service delivery and finances</li> <li>Very unlikely to be acceptable to the Council</li> <li>VAT issues</li> </ul>	<ul style="list-style-type: none"> <li>Financial risk to the Council</li> <li>Reputation risk to the Council</li> <li>Failure defaults risks to the Council</li> </ul>
<b>D.</b> Council / Trust joint venture company	<ul style="list-style-type: none"> <li>Trust states this is unacceptable to it</li> <li>Unlikely to be favoured by the Council</li> <li>The proportion of any Council representation might in any case determine that the Council is in effective control</li> <li>VAT issues</li> </ul>	<ul style="list-style-type: none"> <li>Whether key executive and creative personnel can be procured and retained with the required experience / leadership / management and creative skills</li> <li>Effectiveness of partnership working between Trust and Council as part of the SLA</li> <li>Failure defaults risks to the Council</li> <li>Financial risk to Council</li> <li>Group Account Risks</li> </ul>

6.46 Key risks for the operational phase are:

- Prolongation of the capital phase delays operations, causes business stress, eats into operational finance and causes loss of income.
- Failures in preceding operational development mean the operational phase is not properly planned and prepared for.
- Business model is flawed with any of: conflicting operational objectives that cannot be reconciled satisfactorily; marketing / audience development /



programming failures and over optimistic projections of custom and audiences.

- Necessary support from and integration with Council cultural service delivery is not forthcoming.
- Inadequate operation capacity / insufficient expertise.

The Trust's delivery proposal for the capital phase is as per option A in the table below. The table enables ready comparison of this with the possible alternative options otherwise discounted by the Trust.

**TABLE 5 – CAPITAL PHASE**

<b>Delivery option for capital works</b>	<b>Potentials / drawbacks</b>	<b>Key risks</b>
<b>A.</b> Winter Gardens Trust with support from the Council and the Council controlling funding in role of Accountable Body	<ul style="list-style-type: none"> <li>• Concerns at capacity / capability of the Trust to deliver</li> <li>• Council resource input required</li> </ul>	<ul style="list-style-type: none"> <li>• Cost</li> <li>• VAT recovery for the Trust</li> <li>• Programme</li> <li>• Quality</li> </ul>
<b>B.</b> Council in client role after the Trust grants the Council a land interest in the building e.g. substantive leasehold interest	<ul style="list-style-type: none"> <li>• Trust state this is unacceptable to it</li> <li>• Option is a contrivance to mitigate VAT liability to the project</li> </ul>	<ul style="list-style-type: none"> <li>• VAT recovery for the Council</li> <li>• Building defaults to the Council</li> <li>• Reputation risk</li> </ul>
<b>C.</b> Council / Trust joint venture company	<ul style="list-style-type: none"> <li>• An established delivery model where there is a true partnership between the main parties</li> </ul>	<ul style="list-style-type: none"> <li>• VAT recovery for the Council</li> <li>• Group Accounts for the Council</li> <li>• Control issues (for Council and Trust)</li> <li>• Reputation risk to the Council if failure</li> </ul>

6.47 Key risks for the capital phase are:

- Project planning cannot be completed and funding cannot be drawn to fit programmed expenditures, in particular Sea Change.
- Necessary project planning (including design and specification to RIBA Stage D/E) and contract procurement not completed on time.
- Failures in partnership working between the Trust and the Council.
- Regulatory risk e.g. Listed Building Consents and Health and Safety approvals not forthcoming or difficult to secure.
- Building works not completed on time.
- Capital cost overrun.

- Time / cost issues force false economies to works and fitting out and quality compromises.
  - Land / use rights to land at the rear compromise access and servicing for the building and compliance to fire safety requirements.
- 6.48 From this and the contributory work via the Local Appraisal and Risk Assessment it is clear that the Trust's proposal for both capital and operational phases poses high risks. How risk might be reduced / mitigated requires much consideration.
- 6.49 To take the capital phase first, funding draw down is a critical risk area and includes for several concerns. The first relates to the timing of funding approvals. The NWDA has confirmed that all expenditures to be funded via Sea Change must be drawn down by the end of February 2011 or the funding will be lost. As stated in para 2.10 the Trust's proposed programme with its works start scheduled for early February 2011 does not fit and this is a critical project risk. Possible actions to mitigate the risk are:
- Bring forward commencement
  - Draw Sea Change funding down earlier either at the start or via a higher intervention rate, i.e. 100% drawdown ahead of other funders
  - For the Council to explore further with Sea Change the potential to extend their funding deadline to fit better with the overall scheme and other funders' deadlines
- 6.50 The feasibility of these options needs to be explored much further and including via negotiations with NWDA. Financial risk would be the Council's (as grant recipient from the funders). For the avoidance of doubt there is no option of tightening the contract period for the capital works itself but there may be a potential to bring forward the works start – see para 4.57.
- 6.51 There is also significant uncertainty as to the timing of a HLF Round 2 decision and, subject to this, the funding availability. This is therefore also a key project risk. The most optimistic scenario is June 2010 but it could easily be later.
- 6.52 A further concern is that the requirement on NWDA to match Sea Change funding has been lowered to 75%. This means there is a risk that should Sea Change approve some £4 million in funding the NWDA approval might be £3 million and not £4 million.
- 6.53 It should be noted that the costs of the capital building works required as part of the Trust's proposal will (at best) be at the realistic limit of the public funding possibly available - including for Sea Change funding. If costs increase there is unlikely to be additional funding available and this would be a cost risk to the Council and to the Trust.
- 6.54 Furthermore, even if full funding approvals are assumed – a big if - there is presently significant uncertainty as to how it could be drawn down to meet programmed expenditures. HLF funding for example will be available only towards particular items eligible under its criteria and at this stage it is not possible to verify these, and in particular whether this will result in an overall capital external funding shortfall.

- 6.55 A further concern is that the some £300,000 in pre-operational soft costs will likely be ineligible for funding from any of the three external funding sources. These include for items such as staff costs, recruitment costs, pre-opening marketing and building costs and are essential if the Winter Gardens can open with a full programme and can run smoothly and well from the outset.
- 6.56 The Business Plan foresees that at worst these soft costs would have to be met from outside of the total funded from Sea Change / NWDA / HLF. In this case, the Trust has little prospect of raising this amount given that it is unusual for charitable trusts and foundations to fund such costs which of themselves give no outputs. The Trust has therefore requested that the Council make provision to contribute this amount in direct revenue subsidy in 2011/12. However, officers consider that expenditures on soft costs would be incurred in 2010/2011 and 2011/12 and propose that any such funding be split over these two financial years. Precise figures are subject to confirmation.
- 6.57 Both the detailed NWDA and HLF Round 2 applications require contract works to be specified to advanced RIBA stages. This is the main reason why the Trust plans for a works commencement as late as February 2011. Confirmations are required as to the precise RIBA stages and as to how design work to these stages is to be funded. The Trust has no funding for this development work and is presently relying on the HLF making funding available for this as part of a Round 1 approval. Sourcing alternative funding for this (perhaps pre approval expenditure from the NWDA) offers a potential to bring the works commencement forward and mitigate risk of failure to draw down Sea Change funding in time.
- 6.58 The Trust's proposal is that as building owner it should lead the capital phase but officers do not consider it has the capacity to do this without substantial support. The Trust is at present a tight knit lay body with only a very limited active membership. It has professional advisors and a consultancy team for the purpose of preparing the project. This team is however not contracted to work beyond the end of March 2009.
- 6.59 The Trust to its credit recognises it has a capacity problem and is trying to broaden its Board representation but this alone will not be sufficient. Officers propose that the only available means is for the Council to provide substantial delivery support to the Trust. This offers prospect of a much more effective project delivery where risks are properly managed and mitigated. The Council would need to make a strong and sustained corporate commitment and require a decisive say in delivery decisions, project management arrangements and procurement and not just a monitoring / advice role.
- 6.60 The Business Plan identifies that the appointment of a suitably experienced high calibre professional Project Manager will be pivotal to success with the capital phase (as also will be the procurement of a good lead contractor). Retaining personnel who have accumulated knowledge and experience of the building might further mitigate risks.
- 6.61 One important delivery point is that this option has significant heritage merit and, in principle, is likely to prove acceptable in planning and listed building terms. This said, although the Trust's proposal may prove appropriate in building terms a fundamental question must be whether it is appropriate in the context of wider market and regeneration considerations? If not, there is a risk

that the building could be fully repaired and restored but its subsequent use prove not sustainable, in which case there would then be renewed uncertainty as to the future of the building.

- 6.62 A discrete consideration is that the building and the Trust's ownership has very little exterior space / curtilage. It is effectively landlocked. There is some concern that access rights at the rear may be compromised at least to an extent. There may be implications for access, servicing and fire safety. This is presently being investigated further.
- 6.63 Any of the risks identified for the capital phase could threaten works delivery either in time, cost or quality. This in turn would impact on prospects for success with the operational phase and, depending on the scale of the impact could be prejudicial. Prolongation of the capital phase for example is a key risk to the operational phase.
- 6.64 A major risk for the operational phase is that market assumptions prove over optimistic and that similarly forecast revenue costs prove over optimistic. Officers (including in appraisal and risk assessment work) have identified that there is high risk that even the Business Plan pessimistic / core targets for income / expenditure may not be achieved.
- 6.65 An SLA between the Council and the Arts and Entertainment Trust is fundamental to the viability of the operational phase, by covering for what would otherwise be a substantial operating deficit. For the Council to proceed with the Trust's proposal for the operational phase will require it to set appropriate obligations on the new Trust via the SLA. The Council would also provide itself with proper protections. Equally, the Arts and Entertainment Trust would have expectations of the Council that would require proper documentation. Negotiations for and preparation of the SLA would require a long lead in time.
- 6.66 For the operational phase the Business Plan identifies the critical need to procure professional staff with the capacity, experience and expertise to deliver. It makes clear recommendations including the need for a Chief Executive / Creative Director of national standing. It is apparent that such quality staffing would be vital to mitigate market risk and give a prospect for success.
- 6.67 A final key point regarding the operational phase well worth reiteration is that it must be planned well in advance with preparations over a long lead in period. This explains the need for pre-operational expenditures. The operational phase must commence with a full operational capacity in place.
- 6.68 The key overall project delivery risks to the Council (in both capital and operational phases) are:
- Reputation risk to the Council in the event of project failure.
  - Financial risk to the Council commensurate with 1) its role as Accountable Body and potential liability for any funding clawback 2) its investment decisions i.e. any sunk / abortive costs that prove irrecoverable and 3) ongoing revenue support.
  - That responsibility for the building ultimately defaults to the Council.

- In the event of project failure damage to the Council's reputation and credibility with funders in bringing projects forward in the future.

## **Option 2 Analysis and Risk Assessment**

6.69 If Council declines to support the Trust's proposal the immediate consequence is that there is no point in proceeding with the funding applications and the potential opportunity afforded by Sea Change is lost. The Trust would be massively disappointed and this could impact on its collective will to sustain itself. Notwithstanding this risk, the Trust would be informed by available options for the use of the building. Table 6 below sets out the possible scenarios for what might happen - related to how the building might be used.

**TABLE 6**

<b>No</b>	<b>Scenario</b>	<b>Capital works required</b>	<b>Key issues</b>
<b>1.</b>	<b>Proposal resubmission</b> - Trust seek to take forward its present proposal at some time in the future	As per present Trust proposal	<ul style="list-style-type: none"> <li>• Unlikely that the scale and nature of the present funding opportunity will be repeated</li> <li>• Motivation / capacity of the Trust to sustain its activities in the interim</li> <li>• Prospect that this option proves to be the same as option 5.</li> </ul>
<b>2.</b>	Trust take forward a reduced and <b>lower cost variant of Option 1</b> for multi-purpose use focused with much more limited supplementary and ancillary space as compared to Option 1 and thereby more limited multi-use potential	Comprehensive repair and restoration works to the foyer and main auditorium and stage space but with more limited upgrading of ancillary spaces, mothballing of other parts and no new build extension	<ul style="list-style-type: none"> <li>• By no means the Trust's preferred option</li> <li>• Still ambitious but very flawed in that the operational capacity / potential of the building would be substantially impaired.</li> <li>• Substantial capital cost</li> <li>• Compatibility of capital funding streams</li> <li>• Capacity to deliver capital works</li> <li>• Arrangements for operational management and quality of</li> <li>• Viability / sustainability of business model</li> </ul>

			<ul style="list-style-type: none"> <li>• Market sensitivity</li> <li>• Strategic, cultural and regeneration impact and benefits</li> </ul>
3.	<p><b>Alternative commercial</b> - Trust dispose of or lease the whole premises for conversion to more commercial use(s) e.g perhaps as a galleried shopping centre with ground floor cafés / bar.</p>	<p>Comprehensive repair works and conservation of significant heritage features but with substantial interventions to convert and equip the accommodation</p>	<ul style="list-style-type: none"> <li>• Unacceptable to the Trust</li> <li>• Uncertain that this would be acceptable in planning and heritage terms</li> <li>• No obvious delivery vehicle</li> <li>• Substantial frontloaded costs</li> <li>• Availability of public funding</li> <li>• Viability of business model</li> <li>• Market demand</li> <li>• Retail use commonly gives the highest possible revenue returns per sq metre</li> <li>• Economic / regeneration impact</li> </ul>
4.	<p><b>Heritage consolidation</b> - involving the Trust making the main foyer and auditorium (the key heritage assets) available for public use / enjoyment e.g as a heritage / interpretation centre or museum but prospectively closing off / abandoning all peripheral spaces</p>	<p>Repair and restoration of the foyer and auditorium (and possibly certain other spaces). Minimum works to enable other elements to be mothballed. Demolition of the Fly Tower.</p>	<ul style="list-style-type: none"> <li>• Unacceptable to the Trust</li> <li>• Uncertain that this would be acceptable in heritage terms</li> <li>• No likely delivery vehicle</li> <li>• Public funding may not be forthcoming</li> <li>• Viability of business model</li> <li>• Strategic / cultural impact</li> </ul>
5.	<p><b>Do minimum</b> – with the Trust making limited use of the foyer and auditorium for occasional events / viewing but with large parts effectively mothballed.</p>	<p>Minimum - maintenance, repair works to meet regulatory requirements including Listed Building and Health and Safety and possibly incremental improvements as and when resources permit</p>	<ul style="list-style-type: none"> <li>• Present position</li> <li>• Building Condition</li> <li>• Unsustainable in anything but the short or short – medium term</li> <li>• Very limited economic / regeneration impact</li> </ul>

6.70 The various scenarios are worth brief further consideration. For Scenario 1, in the unlikely event a significant public funding opportunity arises at some

time in the future similar, it will probably come too late because by then gradual but continuing deterioration of the building fabric may make the cost of any repair and restoration utterly prohibitive.

- 6.71 Scenario 2 is lower cost but for much lowered rewards but is loaded with the same very high risks as per the Trust proposal. As such the Trust considers it to be fundamentally flawed in concept and unlikely to meet with the approval of any funder. n.
- 6.72 As regards Scenario 3 it is very difficult to conceive of any market conditions in which an appropriate beneficial commercial use might be made of the building because for any prospective use the frontloaded capital costs would likely be just too great without substantial public funding. While the Trust might achieve a disposal there could be no certainty of a resultant beneficial use being achieved.
- 6.73 The Trust might come to accept Scenario 4 as a fall back option but this would require very substantial public funding and while it might achieve significant heritage benefits other benefits would be only very modest. There could be no certainty that this option would prove deliverable.
- 6.74 The fifth and last scenario is perhaps the most likely but in the medium / long term is likely to prove unsustainable.
- 6.75 None of the above scenarios offer much promise of a sustainable use and future for the building beneficial to Morecambe and its regeneration. The opportunity that the Trust's proposal presents should therefore be viewed as perhaps the last chance for the Winter Gardens.

## **7.0 CONCLUSION**

- 7.1 The project proposal by the Winter Gardens Preservation Trust is very ambitious. It is for the full repair, restoration and re-use of the Winter Gardens as a multi-purpose venue, focused on live performance in the main auditorium. If successful this project would likely deliver huge rewards for Morecambe and help deliver transformative regeneration. The project does though carry very many risks and at this stage it is very uncertain whether all these can be managed effectively. The financial risks to the Council itself are extremely high, given its current position. Whether or not to support the proposal requires the prospective rewards to be weighed very carefully against the definite risks.
- 7.2 The Trust's proposal is the only one on the table that might be subject of a bid (to Sea Change) in the time available. The Trust has demonstrated massive collective will over several years to bring it forward and both the NWDA and HLF have supported the Trust in this. The Council has encouraged the Trust and further, Cabinet has endorsed submission of a Sea Change funding bid focused on the Trust's emerging project proposal for the Winter Gardens, albeit this did not involve any financial commitment.
- 7.3 Sea Change, NWDA and HLF have all made it very clear, however, that funding bids have virtually no prospect of success without Council support and Sea Change guidance explicitly requires a local authority financial (cash)

contribution and in kind. Further, to have any prospect of success the applications must evidence a strong and effective partnership between the Council and the Trust.

7.4 There are perhaps three fundamental questions for the Council. The first is whether it thinks the Trust proposal is robust and will make for a viable and sustainable use for the Winter Gardens? This requires a balanced assessment of:

- The project concept and its definition
- Market assessment
- The capacity and commitment of the parties to the project
- The arrangements for delivery and operational management
- Project risk

7.5 Given the short space of time available, officers must place a health warning on all risk assessment work. The Risk Appraisal (Appendix 3) and every analysis suggest that this is a high-risk project and the management of risk would be a critical delivery issue. One concern is that ways identified at the outset to reduce or mitigate risk may not prove possible or successful, and there may be residual risks and risks factors not foreseen that prove prejudicial.

On the basis of the information provided at this point officers consider that the Winter Gardens Preservation Trust's proposal to restore the Winter Gardens and bring it back into operational use is closely aligned with national, regional and local spatial and regeneration priorities and could make a major contribution to achieving the Council's key regeneration priority of 'Re-inventing Morecambe'. It is recognised that the Sea Change initiative represents a rare opportunity to secure the future of one of Lancaster District's most important listed buildings, developing a cultural hub for Morecambe and forming the centre-piece of a regenerated seafront. However, it is clearly recognised that the project is ambitious and not yet at the stage where all detailed planning has been completed and relevant information available for consideration. There are major risks which require careful management and the panel recommends certain specific measures, as detailed in Appendix 2, are undertaken prior to the full development of the scheme.

7.6 The second question is whether the Council shares the Trust's ambitions for the building and what it can do for Morecambe? The Local Appraisal identifies a strong strategic fit. The project would integrate well with planned activity to rejuvenate the central part of the town and seafront and to be progressed via the proposed new Area Action Plan. As set out in the Introduction to the report, the Winter Gardens is seen as integral to the future reinvention of Morecambe.

7.7 The proposal offers the prospect of increased footfall on the central seafront and in central Morecambe by day and in the evening and for increased visitor spends and overnight stays. It offers a new substantial wet weather attraction. Allied with the success of the rejuvenated promenade and beaches, the new Midland Hotel and complementary heritage focused regeneration it could represent a significant step forward towards a new



tourism future for Morecambe. A strong commitment by the Council to the project might demonstrate that the town has truly turned a corner and is going places. It would afford significant opportunities to promote and market Morecambe and the District.

- 7.8 This is a project that if delivered as part of planned area-wide regeneration might transform central Morecambe and it is very difficult to think of any other project with such a potential. A crucial point to bear in mind though is that project benefits will only be realised if the capital works phase is delivered successfully and if the operational Winter Gardens proves a success. Given the risks associated with this project proposal these must be big ifs.
- 7.9 The implications if the proposal does not go ahead must also be considered:
- What this means for the future of the building.
  - The implications for its cultural services delivery.
  - The consequences for the future of the central seafront.
  - The opportunities, perhaps lost for good, for the Winter Gardens to spearhead a revival in the town's fortunes.
  - What failure to back the project would signal to the local community, the market and to potential providers of investment into heritage based projects?
- 7.10 The third question is whether the Council considers that the Trust's proposal warrants very substantial financial and service investment into the venture and the consequent change to the delivery of its cultural services, and whether the Council can afford it? If so, this must be with a full understanding of the very high risks and financial risks for the Council and the knowledge that support might prove abortive with very substantial amounts irrecoverable.
- 7.11 A wider financial consideration is that should the Council resolve on option 2 it will remove any prospect of Sea Change funding being secured for Morecambe and the District - this would be invested elsewhere. Option 2 would not directly mean a loss of NWDA funding for the District in that the NWDA could be expected to invest the money "saved" in alternative projects within the District of priority to the Council and the community. HLF funding is allocated at national level and its funding will continue to be available to the District on application – if not for this project.
- 7.12 A very high level of Council officer input would be required to facilitate project delivery in both capital and operational phases. There would be significant implications for certain Council services. Very substantial demands would be placed on several services including Planning, Cultural, Financial, Legal and Economic Development. In particular, Planning Services would have much work in project support development and essential supportive activity to progress the area-wide regeneration via the Action Plan. Cultural Services would need to work over a long lead in period to determine how services it delivers might be directed via the Winter Gardens.
- 7.13 For the Council to back this project will, as the Business Plan states, require a "leap of faith" with the view that the potential rewards are worth all the risks.
- 7.14 Should Council want to decide on option 1 delivery would be conditional, amongst other things, on securing the necessary external funding and putting

in place effective delivery arrangements between the parties. These arrangements must reflect in full for the measures recommended in the Local Appraisal (Appendix 2) and the Risk Assessment (Appendix 3) and in addition as critical requirements:

- Enable effective partnership working between the Council, the Trust and the new Arts and Entertainment Trust respectively over the whole life of the project i.e. through capital and operational phases and ongoing maintenance and renewal.
- Secure pre-approval funding from the NWDA to undertake further development work for the capital phase including design work to the required stages.
- Assure that project development and delivery, and ongoing implications, fit to funding availability and affordability.
- Assure that all contractual matters meet legal requirements.
- Place obligations on the Trust to strengthen its capacity as regards delivery of the capital phase.
- Set delivery obligations for the capital works phase and including for the involvement of Council officers in project control, management and procurement as required to properly protect the Council's interests.
- Provide for the early establishment and constitution of the proposed new Arts and Entertainment Trust to take forward the required pre-operational development work and operational management thereafter.
- Require the Arts and Entertainment Trust to procure a high calibre expert professional team for the pre-operational and operational phases.
- Determine an appropriate contractual period for any ongoing support for (or service level agreement with) the Trust, and/or any associated Operator of the facilities.

7.15 Furthermore, should the project progress the capital works phase the arrangements should be documented in a Grant or Funding Agreement between the Council as Accountable Body and the Trust (this is the model by which the Midland Hotel project was delivered). This would capture all conditions arising from grant offers from each of the external funding bodies and any others the Council requires. An SLA between the Council and the new Arts and Entertainment Trust would inform governance of the operational phase.

7.16 Any SLA should secure delivery of an entertainment programme of a specified range and quality and a unique mix of interpretive, education and social offers centring on the heritage and historical interest of the building and its cultural associations. In order to enter into such an SLA the Council would need to review its cultural services offer with the aim of focusing delivery as far as possible via the Winter Gardens and thereby maximise service coordination, secure efficiencies and achieve added value. As a precursor to the SLA it is highly likely that the Council would need to make financial support available to the Trust to cover the pre-operational soft costs.

7.17 Lancaster City Council already operates a number of service level agreements (SLA) with various arts/community organisations. In the event that the City Council enters into a similar arrangement with the Winter Gardens Arts and Entertainment Trust, it is envisaged that the SLA would cover strategic and operational issues as set out below. Such an agreement would be reviewed on an annual basis and monitored quarterly, based on

agreed performance measures. Associated funding (Grant payment) would be released quarterly based on satisfactory performance, although if performance standards were not met, this could create further difficulties. Clearly, however, assuming such an SLA was entered into, the Trust would incur costs in delivering such services. It is unclear how the Council could demonstrate value for money through entering into such an SLA, whilst having to cover the Trust's operating deficit on other activities, especially given that this could be upwards of £500K per year.

7.18 The SLA would set out how the Trust would support and deliver against Lancaster City Council's Corporate and Cultural objectives appropriate to the level of funding which the organisation receives. Based on the City Council's current Corporate Plan, the SLA would likely include:

- Support your Local Economy – work in partnership to ensure a strategic approach to economic development and regeneration.
  - Financial leverage
  - Employment
  - Training and development sessions
  - Visitor numbers/audience numbers
- Clean and Green Places – develop local responses (via Arts/Culture/Heritage) to climate change
  - Development of or involvement in projects which promote environmental issues
- Safe and Healthy Communities – work in partnership and make our district an even safer place addressing crime and the fear of crime, and anti-social behaviour and to contribute towards health improvement and reducing health inequalities through both delivery of our own services and our work with partners
  - Provide positive activities for young people (up to age 25)
  - Participatory activities developing community cohesion (e.g. intergenerational projects)
  - Provide a safe venue/environment
  - Evidence of effective partnership working in district (e.g. LSP)
- Support out Local Communities – to work in partnership with others to meet the differing needs of communities within our district
  - Support the wide variety of local communities, particularly working with the Council's priority groups and areas
  - Attending and inputting to Key Cultural Partners meetings and constitution
  - Engaging with the LSP and other strategic "cultural" bodies (e.g. Arts Council England, and Lancashire County Council)

7.19 It is suggested that the SLA would also detail the following areas to be agreed and approved by both the Council and the Trust:

- Management of the Trust, including Council representation on the Board

- Legal issues, including health and safety, insurances and staffing obligations
- Financial and resourcing arrangements, eligible expenditure and surplus income
- Pricing policy, programming policy, audience development, marketing and branding
- Support of wider cultural partners and programmes
- Lancaster City council's commitment in terms of financial support, staff support, ticketing, integrated marketing, etc.

7.20 Arrangements should secure the specialist management knowledge and experience available within Council's Cultural Services for the planning stage. Such expertise would inform design issues in order to maximise programming opportunities and ensure day-to-day operational issues are considered. Similarly, the arrangements should provide for the role of Cultural Services in the facility when operational.

## **RELATIONSHIP TO POLICY FRAMEWORK**

Option 1 fits well with the Council's draft Corporate Plan Objective to work in partnership to ensure a strategic approach to economic development and regeneration and will help towards Key Action 1.2:

The Economic Investment Strategy seeks to develop projects around each of the 5 Vision Themes and the application for funding support for each. Re-inventing Morecambe is one of the 5 Vision Themes included in the Strategy.

A key project linked to the above is submission of major funding bids for the refurbishment of the Winter Gardens as a nationally significant cultural/events venue.

### **Regeneration Strategy**

Lancaster District Core Strategy

The Lancaster Core Strategy, adopted in July 2008, identifies a vision for Morecambe as a confident community with a regenerated living, working and leisure environment. Policy EC2 identifies Central Morecambe as the Council's main regeneration priority and sets out spatial objectives of re-inventing Morecambe drawing on its natural and built heritage... with restored historic townscape and a revised housing market.

Policy EC6, which sets out the Council's approach to tourism, states that the Council will promote and enhance tourism in the District by... Supporting the Restoration of the Midland Hotel and the Victoria Pavilions (Winter Gardens) and the creation of a quality leisure offer in Central Morecambe.

Policy E1, which deals with Environmental Capital states that the Council will seek to protect and enhance Listed Buildings and Conservation Areas.

The achievement of a sustainable future for the Winter Gardens would further the objectives of the Strategy overall, of its approach to regeneration, of its approach to Central Morecambe and of its policies on tourism and listed buildings. Given the potential financial implications attached to this proposal, however, it could conflict with the Council's financial targets and objectives as set out in its Medium Term Financial Strategy and its Capital Investment Strategy. These would need addressing if the project progresses further.

## **CONCLUSION OF IMPACT ASSESSMENT**

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

The proposal raises no significant adverse implications.

It is for the re-use of a very large existing building and this is a positive consideration for sustainability as is the fact it is located in the centre of Morecambe, readily accessible via public transport, walking and cycling.

It provides for access for all.

## **FINANCIAL IMPLICATIONS**

The City Council's Financial Regulations provide a framework for managing the authority's financial affairs in order to ensure that its use of resources is legal, properly authorised, provides value for money and achieves best value. Due to the timescales involved, it has not been possible for Financial Services to assess robustly the full impact of the financial implications arising from the report and in particular the draft Business Plan. As set out in the body of the report, it is re-emphasised to Members that it has also not been possible for other key Services involved to provide any in-depth assessment of the draft Business Plan etc. The comments provided under this section of the report therefore, can really only focus on the key issues emerging, with no guarantee that anything significant has not been missed, whether that be operational or financial.

### **Construction Phase (Capital)**

It is assumed in the draft Business Plan (produced by L&R Consulting on behalf of the Trust) that the capital phase of the project totalling £12.45M will be fully funded from three main external funding sources, i.e. 'Sea Change', NWDA and HLF. At this time it is also assumed within the current Business Plan that further design / developmental work required to take the project to the required RIBA Stage D / E will be met by one of the three funders named above and is included within the overall £12.45M estimated figure.

It is worth noting at this point, however, that it is not entirely clear whether all elements are fully eligible from HLF, though it is expected that the total expenditure will be fully eligible as far as 'Sea Change' and the NWDA are concerned, thus mitigating the risk to some extent of any capital funding shortfall for the Trust. Similarly, the report highlights that NWDA only need to provide a minimum 75% (£3M) match funding compared to the 'Sea Change' allocation of £4M, whereas the Business Plan assumes 100% match will be provided. There is the potential therefore for a £1M capital shortfall should NWDA only offer the minimum amount. The City Council cannot rule out at this stage therefore, that there would not be a call on its General Fund Capital Programme at some point in the future, i.e. to cover potential shortfalls arising as outlined above, cost overruns, inflationary increases, etc.

The Trust has requested that the City Council acts as Accountable Body for all Capital grant. Indeed this will be a condition of both 'Sea Change' and NWDA funding offers, with HLF now expecting a joint application from the Trust and City Council in relation to its bidding process. The Trust will also require cashflow support from the City Council to finance the build phase, i.e. in advance of grant being claimed by the Council from the funders and the Trust being reimbursed by the Council. This will have an impact on the Council's budgeted revenue position as we are likely to receive less income than currently assumed from the Council's treasury management operation.

In addition to cashflow support the Trust also requires continuing capacity from City Council Officers, by way of advice and assistance, in order for the Trust to be in a reasonable position to lead and undertake the capital construction phase themselves. The main Services involved to date have been Planning, Cultural, Financial, Economic Development and Legal Services. A considerable amount of work and time will need to be spent by officers prior to any funding offer being accepted by the Council (September 2009 for Sea Change) and it is highly likely that additional staff resources will be required for Financial, Planning and Cultural Services in particular as well as additional external support for further development work concerning the Business Plan. There is no specific revenue budget identified to accommodate this additional cost and further assessment will need to be undertaken to determine how this can be managed, i.e. existing budgets (including reserves) or growth. Should existing budgets be called upon, then it is likely that this will be to the detriment of other key areas of work currently included within Service Business Plans, some of which may be mandatory – so this may not be a wholly viable option.

### **Pre-operational Development Phase (Revenue)**

Pre-operational development costs (including staffing up, marketing and programming) have been estimated at £300K, which are likely to be ineligible for grant from the three main external funders. At present, the Trust does not have sufficient working capital or reserves to cover these costs, therefore the Trust has requested that the City Council provides this 'gap funding' as a revenue contribution in order for the funding bids / project to proceed. It is likely that this will need to be provided during 2010/11 and 2011/12. The precise split is not yet known, however for the purpose of this report it has been assumed it will be 50/50.

### **Operational Phase (Revenue)**

In addition to the pre-operational funding shortfall above, the draft Business Plan is projecting a considerable annual revenue deficit ranging from c£130,000 to £550,000 (based on an optimistic to pessimistic operating scenario) to support a fully restored building once opened. The Trust has requested that the Council enters into a Service Level Agreement (SLA) with them on an ongoing basis from 2012/13 and pays the Trust an agreed sum per annum (provisionally estimated by them at £350,000 at 2009 prices and based on a 'core' target operating scenario) and in return the Trust would contract to deliver a range of performances, events and services as agreed with the Council in relation to delivery of its cultural services. It is reiterated, however, that as far as is known, the draft Business Plan does not provide specifically for any costs associated with the Trust providing such services.

Members are reminded that it has not been possible for the Council, in particular Financial Services in conjunction with Cultural Services, to properly review the Business Plan. There is significant concern that the sensitivity analysis currently applied by L&R Consulting is overly generous and that the 'pessimistic' scenario could actually prove to be 'best' case. This could result in the Trust's deficit and therefore LCC support requirements being much closer to the current 'pessimistic' forecast in the early years at least, i.e. c.£550,000 if not more. Taking account of the comments made so far, the Council would need to be prepared to provide funding of at least £550K per year if this project is to progress. Based on information available to date this could be significantly higher – but is not likely to be significantly less, particularly in the early years.

For the Council to enter into an SLA arrangement with the Trust then raises some fundamental questions for the Council concerning procurement law and/or state aid restrictions and this requires much further investigation. Alternatively, If the funding to the Trust was treated as grant rather than as payment for services, then there is likely to be a State Aid issue to resolve, i.e. from a competitive view point, would the Council be seen to

be conferring an advantage on one private sector provider over another? There is also the fundamental question of whether, either way, such payments provide the Council with 'value for money'.

Financial Services advise that advice should be sought on these two matters in order for the Council to make an informed decision regarding whether it can legally provide ongoing revenue support to the Trust in the proposed way – or through any alternative.

The Trust has also requested a one-off £250,000 revenue contingency payment to protect the Trust from uncertainty as to income generation in the early years of operation (supported by assumptions in the draft Business Plan). However, at this time it has not been possible for Finance to ascertain the basis for this figure and whether this will be required in addition to the annual sum being requested over and above that for Year one of operation or is simply a cashflow issue, which early payment of grant might resolve. For the purpose of this report the table shown later in this section assumes it will be in addition to the recurring annual revenue support required.

Should Members opt to proceed, then the draft Business Plan will need to be fully assessed by both Cultural and Financial Services prior to any financial or contractual commitment being entered into with the Trust and external Funding Bodies for this project. In particular the following areas would need to be determined:

- That whole life costs are realistic and included in the revenue projections, i.e. for ongoing maintenance and renewal of the building and its operating equipment;
- That all relevant expenditure budgets are included, e.g. Business Rates (currently assumed by L&R Consulting will be exempt through charitable status)
- Flexibility to hold concurrent events to maximise income potential;
- Testing of ticket price assumptions to ensure in line with local demand, whilst still viable;
- Whether income targets have taken into account the existing transport links;
- Further sensitivity analysis, etc.

### **Consideration of Group Account and VAT issues**

#### **1. Group accounts (Professional Guidance Notes 2008).**

Given a review of the guidance, it is a grey area as to whether the operating company receiving the SLA would be a group company. The presence of an SLA does not imply group status, however the Council's exposure to risk of liabilities is an indication that the operating company would be an LCC group company. What type (eg subsidiary/associate etc) would depend upon the exact relationship between ourselves and the operating company and the degree of control we were exerting, either directly or indirectly.

A further complexity is that local government accounting will be changing to International Financial Reporting Standards (IFRS) from 2010-11 onwards. The LG IFRS code has yet to be finalised but it may increase the chance of having to prepare group accounts.

As an estimate, the consequence of having to do group accounts would be 3-4 weeks of qualified staff time to do the consolidation work.

#### **2. VAT and connected parties. (VAT notice 742a).**

Under avoidance rules, the financier (which we would be as the accountable body) cannot be connected with the occupier of a building. This would result in repayment of the VAT on

the capital works. In terms of 'connection', for companies the HMRC defines this in terms of control:

"For the purposes of this Part, a person shall be taken to have control of a company if he exercises, or is able to exercise or is entitled to acquire, direct or indirect control over the company's affairs" (as referred to in section 416 of the Income and Corporation Tax 1988 via VAT notice 742a)

This could include the holding of majority voting rights or indirect influence over the financial or operating policies, which could be exerted, for example by a very large customer.

The consequence of breaching the 'connected' clause is that £1.8M of VAT reclaimable on the building works would be repayable by the Trust to HMRC.

#### Summary of Group Accounts and VAT Issues

There are significant issues, particularly in relation to VAT, that need to be clarified in terms of the level of support required from the Council and any conditions that may apply to these funding arrangements.

It is essential that the project does not incur VAT on the building costs. The Council needs to be mindful that to ensure this, it would not be able to have control over the operating company even though it may be expected to cover its liabilities.

#### Recommendations re Group Accounts and VAT

If the Council agrees to support the Winter Gardens project, then once it has agreed the level of revenue support and the conditions thereon:

1. The Morecambe Winter Gardens Preservation Trust (as the party liable for recovering VAT) needs to consult directly with HMRC to ensure that the VAT avoidance clauses will not be breached and inform the City Council of the outcome.
2. The Council should liaise with its external auditors to agree the treatment of the operating company with reference to group accounting.

Members are reminded that the Group Accounts and VAT advice is based on the project proceeding on the basis of the Trust's preferred option and that should anything different be agreed, then both the Trust and Council would need to seek further specialist advice and report back before proceeding.

#### Other Issues

It is re-emphasised to Members that work carried out to date by Council Officers has been somewhat difficult in that advice has been provided on what is essentially a 'moving' target, e.g. although the original project appraisal and risk assessment work (Appendices 2 & 3) carried out was on the basis that there was only a projected nine months in which to spend the 'Sea Change' funding, it has since evolved that there will only be one or two months at best as detailed in the body of the report. Financial Services would advise that it would be impossible to spend c£4M in this revised timescale and that unless the 'Sea Change' deadline can be extended or other funding found, it is highly unlikely that the Trust's proposal could proceed.

Similarly, the Council as yet has made no revenue budget provision to accommodate the



Trust's request. At present estimated budgetary provision is summarised in table below, together with indicative implications for Council Tax in each year.

<b>Revenue Support</b>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>Future Years £'000</b>
Pre-Operational (assumed split 50/50)	150	150		
Contingency (one-off)			250	
Ongoing Revenue Support			550	550
<b>Total</b>	<b>150</b>	<b>150</b>	<b>800</b>	<b>550</b>

<b>Council Tax Implications</b>	<b>2009/10 Actual</b>	<b>2010/11 Indicative</b>	<b>2011/12 Indicative</b>	<b>2012/13 Indicative</b>	<b>Future Years</b>
Indicative Council Tax Increase for each year (in % terms)	4%	1.9%	1.9%	10%	6.9%
Resulting Band D Council Tax (across district)	£185.31	£188.78	£188.78	£203.84	£198.05
Indicative Band D Council Tax Increase (in £ terms)	£7.14	£3.47	£3.47	£18.53	£12.74

Members are advised that the above indicative increases for each year are based on a comparison with the 2009/10 Council Tax (and are therefore not year on year or cumulative). Furthermore, the future years' savings targets already identified during the 2009/10 budget process still need to be achieved; any consideration of these has been excluded from the table above. In order to be prudent, the table also assumes ongoing revenue support will be based on L&R's current 'pessimistic' projections. Members would need to consider carefully, therefore, which other Council Services currently being provided it wishes to stop doing or 're-direct' via the Winter Gardens, e.g. the Platform, other cultural grant support, noting that this could preclude any further expenditure for new areas being entered into by the Council for the foreseeable future.

With reference to ceasing operations at the Platform and re-directing activity to the Winter Gardens, Members are reminded that as indicated in the body of the report, this is not necessarily a simple option for the Council and will need further detailed consideration before a final decision on this can be made. There will be initial costs to cover such as security / mothballing / redundancy, etc. There is also potential for lottery grant (used by the Council to turn the Platform into an Arts Development facility in 1997) up to a maximum of £917,400 to be paid back the Arts Council in full or in part if there is a change of purpose or ownership either during the project or within a reasonable period after its completion. Although the Platform has operated for 11 years, it would seem appropriate therefore if closure of the Platform was pursued to contact the Arts Council in the first instance seeking their views on whether clawback would apply.

Should Members wish to provide ongoing support for the Winter Gardens as a fully restored, multi-purpose cultural facility entertainment venue, then in addition to considering whether the benefits outweigh the overall risks identified Members also need to consider whether it is actually affordable for the Council in both the short and long term.

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

As with other commentators on this report, the s151 Officer has not had sufficient time to review all key information in support of this proposal. As such, these comments are based primarily on only the contents of this report, together with some limited discussions with relevant Officers. They cover only the major issues arising to date and do not represent a full commentary on all aspects.

As reported during the recent Budget, the s151 Officer is responsible for ensuring that when the City Council sets and revises its capital investment plans and associated Prudential Indicators, all matters to be taken into account are reported to the decision-making body for consideration.

The progression of this project would represent a major revision to the Council's capital investment plans and prudential indicators, outside of the existing budget and policy framework. As such, in considering the proposal the Council must have regard to the following:

- affordability
- prudence & sustainability
- value for money
- stewardship of assets
- service objectives
- practicality

As well as covering aspects relating specifically to the proposal, the above points (in particular affordability and prudence/financial sustainability) also encompass the much wider issues of the Council's overall financial position and its prospects. Back in January of this year, in Members considering Budget and Policy Framework proposals, it was reported that the draft Corporate Plan "uses as its underlying assumption that the Council will seek to maintain current service levels in this difficult financial climate rather than driving service improvements or growth."

The progression of this project would involve restructuring discretionary facilities, but potentially at a significant ongoing cost to the Council and at a time when the Council is seeking to make savings in service provision. This could seem contradictory to the basic assumption underlying the draft Corporate Plan.

The Winter Gardens project was last considered by Members of Cabinet back in October 2008. At that time, it was envisaged that a funding bid would be submitted by 31 October, to Round 2 of Sea Change. This proposal is now based on a Round 3 submission, the deadline for which is now 30 April. Whilst this report makes the comment that Sea Change bids must involve a cash contribution from the relevant Council, this information has not previously been reported. As such, it should be recognised that at present the Council has made no commitment, either in principle or otherwise, to provide any financial support for any Sea Change Bid.

In the report to Cabinet back in October, it was reported that "There are no immediate financial implications arising from the submission of the Sea Change bid ..... However, members should note the comments in the report about the implications for the Council as accountable body for this project should the bid be successful, and the need for a further report to consider this in detail before the City Council enters into any financial and/or contractual commitment with either the Winter Gardens Trust or external funding bodies."

There are some significant difficulties and omissions in the appraisal work undertaken to date, and these are covered in the report. In particular, there are major concerns regarding whether, practically, the funding streams can actually match to the project. On this basis, taking into account all the points made above and given the financial challenges facing the Council in future years, the s151 Officer would advise the Council against taking on any major new financial commitments at this time. This is consistent with advice given on similar potential projects and initiatives, and during the recent budget exercise. Advice has centred "very much on achieving recurring reductions to the revenue budget".

Aside from the specific risks attached to the project, the sections below highlight the main points in relation to the wider issues of affordability, prudence and value for money.

**Affordability**, i.e. in this case the implications for Council Tax, & whether / how it can be afforded.

As set out in the financial implications, this project would have major implications for Council Tax, before consideration or identification of any supporting savings proposals. As an indication, the financial support needed would amount to around as much as a 10% increase in current City Council Tax levels (or around £18.50 for a Band D Property). There is no guarantee that the support needed could not be higher – and on balance it is felt likely that it would be.

The Council has only very recently completed a very difficult budget setting exercise. It still has to take some (what may prove to be difficult) decisions regarding how to achieve the savings needed in this financial year. This is before any consideration of future years' likely savings targets, if the Council is to achieve its targets of no more than 4% increase in Council Tax. At present cumulative savings requirements for 2010/11 and 2011/12 are estimated at £1.073M and £1.322M respectively, excluding any potential impact from this proposal – though it is acknowledged that these savings targets could improve or deteriorate further, perhaps significantly either way. Should Council wish to pursue this proposal, then it would need to be very sure that it could and would take very difficult decisions to cut back significantly on other service provision, in order to achieve the required savings. In effect, the estimated year on year gross savings targets for 2010/11 and 2011/12 would now increase to at least £1.223M and £1.472M, but with much greater new pressure in subsequent years – and this is before consideration of some exceptional unknowns:

- Potential losses on Icelandic Investments: In reliance on Government Regulations, the Council has not yet made any provision for any losses, but this will need to be assessed at some stage within the current financial year (in all likelihood, as part of the next budget exercise). The recent Select Committee Report recommended that Government did not compensate affected Councils. It is unclear, however, whether Government will assist in giving authorities the flexibility to offset any losses over more than one year. It must be hoped that this flexibility is forthcoming; if not, the Council would face a budget shortfall and would have to take fairly drastic action accordingly.
- Outstanding compensations claims regarding Luneside East: Whilst some provision has been made for legal costs, it is possible (but not certain) that further budgetary provision may be needed – and clearly the outcome of the claims could have major cost implications for the Council.
- Implications for any future transfer of concessionary travel responsibilities; there is growing expectation that the function will transfer to transport authorities, probably from 2011/12. It is hoped that the transfer would help alleviate some of the associated

budgetary pressures that the Council currently experiences – but this will depend very much on how Government chooses to adjust the distribution of authorities' revenue support. There are no guarantees (and indeed, it could make the City Council worse off rather than better).

- Other changes arising from the current economic conditions, including prospects for future spending on public services.

Other known pressures also exist, e.g. the completion of Fairpay / Job Evaluation. Furthermore, in recognition of the difficulties that the Council faces, other plans such as the wider Accommodation project have been put on hold for the time being.

Taking into account the above points, how could the Council achieve such savings and deal with the unknowns? Would it? Members would need to address these questions.

**Prudence & Sustainability**, i.e. implications for any external borrowing, ongoing implications for the revenue budget, & whether overall, it is sensible and prudent for the Council to take on such new financial commitments.

The main existing financial pressures and risks facing the Council, external to this project, have been outlined above. How can it be prudent to take on this project, given its costs and risks, and the other financial pressures that the Council faces? Again, Members would need to address these questions.

**Value for Money**, i.e. the Council's view of options appraisal undertaken. As this proposal is being considered outside of the annual budget cycle, it means that it is not being considered alongside any other investment needs or priorities. Even if the Council had the funding available, how does it represent value for money, and how does the Council know it is the right choice for investment? Again, these are questions that need to be answered.

### **Summary**

Overall, the context of setting the Council's recent budget and capital investment plans was very much about saving money and minimising new commitments until there is more financial stability and certainty – and the s151 Officer would advise that this position be retained.

Nonetheless, if Council is minded to support the progression of this project at this stage, it is essential that the following points are recognised:

- The s151 Officer is very clearly of the view that at present, there is insufficient information available to Members on which to base any decisions to enter into any major contractual obligations, including formally taking on the accountable body role, or to agree such a major change to the existing budget and policy framework. As such, whilst funding bids could still be pursued, it would be on the basis that their acceptance would be subject to further consideration by Council. As this later time, it would be essential that full, robust financial information was available, and that the financial investment (in terms of revenue and capital) required by the Council over the life the facility can be considered, in context of other competing investment needs or priorities, and the Council's financial position and prospects generally.
- At any point up to taking a final decision, it should be recognised and accepted that the Council could decide to withdraw its support for the project / funding bids etc. This could

prove very difficult to manage, however, in terms of other stakeholder expectations (in particular – other funding bodies, the Trust, 'Friends' etc.)

- It must also be recognised that pursuing the funding bids would involve resources, and would result in the Council incurring costs that may well prove abortive. At present, it has not been possible to quantify exactly how much additional funding would be required and where such funding would come from – but this would need addressing. There may be various services affected and further information is being sought. In particular, however, the s151 Officer is very firmly of the view that she does not have staffing resources available to switch to supporting the development of this project, and therefore this may well have budgetary implications. Given the very real practical difficulties linked to the funding streams and timescales, the s151 Officer's view is that there is more probability that such work would prove abortive.

### **LEGAL IMPLICATIONS**

It is difficult to assess the legal implications of this aspirational project without more detailed information regarding the terms of the funding arrangements and the constitution of the new Trust.

There would appear to be 3 distinct areas of legal involvement if the project were to proceed.

1. Provision of legal advice to the Council upon the funding agreements to facilitate the project if the bid was successful. (It is not known whether a successful bid would result in one or 3 agreements because of the different sources of funding.)
2. The status of the Trust would need to be assessed in terms of liability in contractual arrangements. The Proposed New Trust would have to be vetted to demonstrate it had the capability to deliver this complex project and meet procurement and State Aid Rules (specialist external advice may be required in relation to this issue) in administration of the funds obtained.
3. The provision of the SLA to accommodate the operational requirements of the project. This, again, would require consideration of contractual arrangements with the New Trust and the proposed trading company.

These are the tangible legal implications. There are conceivably many more issues that would require Legal Services' involvement but at this time the comments have been constrained to the known implications.

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

The Monitoring Officer's advice is that before committing itself to a project such as this, the Council would need to have a clear knowledge and understanding of the financial and other risks. This reflects advice from the District Auditor in the past that enthusiasm for a project must not detract from the need for a thorough and objective assessment of the project. Further, the Council would need to have a clear understanding of the implications for its future service provision should it decide to proceed with this project.

In making a decision, the Council must take account of all relevant considerations, ensuring that it has all the relevant information that it needs, and must take care not to make a

decision that could be open to challenge on grounds of irrationality.

In particular, the Council should not commit itself without being satisfied that it has full information about the worst case scenario, and its potential financial liability for the project.

There are a number of legality issues which are fundamental to the feasibility of the proposals and which would need to be explored in greater detail, and expert advice obtained (with resource implications), before the Council could commit itself to the project. These include issues of state aid, and compliance with procurement regulations relating to contracts for the provision of services. In the event that the Council were to support the project in principle, these issues would need to be resolved at an early stage, and could have a significant bearing as to whether the project could be progressed further.

**BACKGROUND PAPERS**

**Copies of relevant studies undertaken on behalf of the Trust will be made available in the Member's Room.**

**Planning Services files  
The Lancaster and Morecambe Vision**

**Contact Officer:** Julian Inman

**Telephone:** 01524 582336

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**Ref:**

JI

# The Morecambe Winter Gardens Preservation Trust Limited



Heather McManus  
Corporate Director (Regeneration)  
Lancaster City Council  
Town Hall  
Dalton Square  
Lancaster  
LA1 1PJ

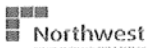
23 March 2009

Dear Heather,

## Winter Gardens, Morecambe

As you are aware the Trust is working hard to restore and re-open the Winter Gardens. Our ambition is that the Winter Gardens can once again be at the heart of what Morecambe has to offer for the benefit of residents and visitors alike. We want the building in all its splendour to be open to all to enjoy for its heritage and offering a range of facilities and entertainments. A vibrant Winter Gardens with high profile quality stage and performance acts would be a massive draw and be a great leap forward for Morecambe's regeneration and put the District firmly on the regional cultural and entertainment map.

With the help of funding from the NWDA and HLF, and the advice and support of City Council officers, we have undertaken a huge amount of work to prepare the way. We have a detailed Business Plan supported by a wide range of technical and feasibility reports. These provide evidence that a capital investment of some £12 million is needed to restore the building and its historic features and bring it into flexible and multi-purpose use.



17a South Grove, Morecambe, Lancashire LA4 5RL Tel. 01524 492180

[www.thewintergardensmorecambe.co.uk](http://www.thewintergardensmorecambe.co.uk)

Company No. 5556536, Registered in England. A Company limited by Guarantee  
Registered Charity No. 1113010



There will be:

- a main auditorium with a capacity for over 800 people capable of being used in a variety of formats and configurations including traditional stage based, in the round and open flat floor formats for stand up concerts
- multi-purpose space for use as a 100 seat art house cinema
- dance / fitness practice room
- learning space for schools / visits / family activities
- 100 seat with break out rooms
- Community digital recording resource space for sound and film editing
- Office space
- Café and bar facilities – for drop in, trade, cabaret and event dining
- Heritage interpretation space, displays, objects and interactive activities spread about the building
- Services for all visitors – ticket sales area, retail, toilets, cloak room, crèche
- Dedicated spaces for auditorium use e.g. dressing room / storage

We wish to lead the restoration project and ongoing operations but recognize that alone we haven't the capacity and expertise. With the Council's support though I am confident we can succeed. We aim to complete capital building works by March 2012 with a view to opening in July 2012.

The closing date for Sea Change applications in this final bidding round is the end of April 2009. There is therefore now only a short, and perhaps not to be repeated window of opportunity, in which to secure all the capital funding we need from external sources. We therefore ask that the Council commit to joining us to make this project happen.

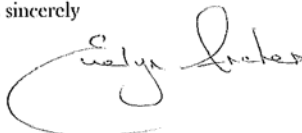
The Trust wishes to work in partnership with the City Council to secure the required capital funding and in facilitation of the capital works delivery. Continued partnership will also be required to put the subsequent, operational phase on a sustainable footing. This latter point is very important. We recognize the need to put in place a strong management team with a Chief Executive / Creative Director of national standing in this field. We further understand that we must ensure that the new Winter Gardens delivers Council corporate and service objectives. This project offers the Council a tremendous opportunity to achieve a step change in its cultural services offer by focusing much of its entertainment / arts / heritage service delivery in the new Winter Gardens. The Council will be enabled to adjust, consolidate and improve its present service offer and thus significantly strengthen its appeal, impact and quality at little or no additional cost. I therefore propose that the Council reviews the future of several of its present service areas including the Platform and the Dome with a view to concentrating its efforts on making the Winter Gardens project a success



- May I therefore formally request that the Council partner the Trust and
- lead on work to prepare funding applications to Sea Change, the NWDA and the Heritage Lottery Fund and submit these on our behalf,
  - Act as Accountable Body for all external capital funding and provide cashflow support to the Trust to the extent that there are any timing differences between the receipt by the Council of stage payments from the three principle fenders and the contractual obligations upon the Trust to make stage payments to contractors and suppliers.
  - Make available capacity support to the Trust (i.e. advice and assistance) in delivering the capital works.
  - Provide a financial contribution of up to £300,000 to the Trust in 2011/12 towards development costs including staffing up, marketing and programming development which may lie outside the scope of the funding being sought from Sea Change, NWDA and HLF.
  - Enter into a Service Level Agreement (SLA) with the Trust on an ongoing basis from 2012/2013. Under this, the Council would pay the Trust an agreed sum per annum (provisionally estimated at £350,000 at 2009 prices) and in return the Trust would contract to deliver a range of performances, events and services as agreed with the Council in relation to the latter's reasonable requirements in relation to the delivery of its cultural services. The SLA would thereby deliver an entertainment programme of a specified range and quality and a unique mix of interpretive, education and social offers centering on the heritage and historical interest of the building and its cultural associations.
  - Make provision for a one off £250,000 revenue contingency buffer to protect the Trust from inevitable uncertainty as to income generation in the early years of operation.

I appreciate that there is a lot to take in and that we ask a lot but this really is a once in a generation opportunity and one which, taken properly, will transform Morecambe's fortunes. This is a serious proposal and I think the weight of supporting information, which includes very thorough specialist reports and a thoroughly researched Business Plan, provides evidence of this. The Trustees and I will be happy to discuss this further but I am very much aware that the Council has put a lot of time and effort into this already and that time is of the essence so I do hope that the Council can decide with some urgency.

Yours sincerely



Evelyn Archer  
Chair to the Trust

## **APPENDIX 2 PROJECT APPRAISAL BY CITY COUNCIL LOCAL APPRAISAL PANEL**

### **Lancaster City Council**

#### **Winter Gardens Risk Assessment and Appraisal (Undertaken 23<sup>rd</sup> March 2009)**

##### **Purpose of the appraisal**

All projects that require the Council to act as accountable body for external funds are subjected to a risk assessment and appraisal process. The process is designed to illuminate any key risks and issues as well as benefits associated with the project in order to inform decision making and reflects the fact that the Council takes the primary risk for all funds for which it acts as accountable body. It is often the case that conditions are recommended that help to manage risks and issues and can be monitored on an ongoing basis as part of the Council's programme management arrangements.

##### **Process**

The risk assessment and appraisal panels are set up to allow professional scrutiny of project proposals and draw on the knowledge and skills of officers across the Council. In the case of the Winter Gardens project, absolute independence of project appraisers has been hard to achieve as this project is very high profile and most officers are fully aware of the proposals. However, panel members do not have any personal interest in the outcome of the risk assessment or appraisal and have no direct involvement with the project other than in a professional capacity.

The panels were drawn from a number of services including Forward Planning, economic Development, Cultural Services, Financial Services (Accountancy and Risk Management), Corporate Strategy and Internal Audit.

##### **Context**

In this case, the panels have considered both the capital refurbishment of the Winter Gardens and the ensuing operational management of the Winter Gardens as an entertainment venue.

Although a great deal of progress has been made very quickly, the project is not currently at a stage of development where all relevant facts and detailed information are available. In addition, ongoing development of the project means that some factors have changed since the time of the appraisal, reflecting the changing nature of some aspects of the proposals. This is not unexpected and would be the case for any major project of this type. However, the need to confirm the Council's support for the project at this stage prompts an appraisal process earlier than would normally be the case. In this context, the appraisal panel has highlighted the need for more information and reconsideration by the Council of a number of issues as the project develops.

There are number of general issues that appraisers expect will develop further if the project gains ongoing support from the Council and the funders. These include clearer detailed definition of the project and its objectives, evidenced need for the project, well developed consideration of options, detailed financial implications and clear proposals of governance and management. The Risk Assessment is provided for information and specific appraisal panel recommendations are included below as part of this report.

Members need to be aware of the following recent changes, which have not at this time been fully assessed and appraised:

- The panels considered the accountable body role for Sea Change and NWDA funding but the Council is now requested to act as accountable body for Heritage Lottery Fund as well, bringing the total funding accountability to £12.5m
- The timing of the Sea Change funding poses some additional pressures on the project. At this time, the implications of this have not been fully considered and any mitigation measures in relation to the associated risks need to be explored in detail with funders.
- All reports expected as part of the detailed planning phase of the project were not available at the time of the appraisal but will inform any further assessment and appraisal of the project as it develops.
- The Council has not at this time identified the staff resources and associated costs that will be required to effectively manage its potential role as accountable body.
- There may be a requirement for an additional £250,000 revenue 'buffer' to ensure that cashflow is feasible at the operational stage.
- Further assessment of VAT implications is still required but initial guidance suggests that this will need to be considered in relation to management of the project overall

### **The appraisal panel made the following comments and recommendations**

#### **RECOMMENDATIONS OF THE PANEL AND ANY CONDITIONS:**

The panel recommends the following measures are undertaken:

- Full implementation of all mitigating measures set out in the Risk Assessment; detailed information on the risks identified are available in the Risk Assessment Report in Appendix 3.
- Clarification and agreement of LCC to project objectives and description including identification of key, outputs and outcomes and arrangements for monitoring these
- Clarification of the overall impact of the Winter Gardens proposal on the future of existing performance venues in Morecambe and Lancaster, including the degree to which acts which currently use existing venues will divert to the new venue, and formal confirmation from LCC that the proposal fits with long term corporate and District wide cultural, leisure, tourism and regeneration objectives and strategies
- Further detailed development of Business Plan assumptions about viability including the overall number of events forecast, ticket prices, the degree to which

proposed uses are compatible with each other and whether it is intended to host more than one event at the same time, supported by relevant Case Studies

- Detailed consideration of the final Business Plan when available and LCC confirmation that revenue implications for the Council are acceptable
- Confirmation that a venue with a capacity of 800 seats is of a sufficient scale to meet the aspiration of a venue of sub-regional significance
- Clarification and agreement of LCC to all roles and responsibilities including the role of Project Manager, responsibility for submission of bids, responsibility for delivering the capital project and the ongoing operation of the facility, pre operational phase.
- Clarification and agreement of LCC to governance arrangements at all stages of the project including the constitution and terms of reference of the partnership, responsibilities of member organisations and processes for determining membership, decision making and dispute resolution
- Formalisation of arrangements for ongoing Council revenue funding for staffing to support the preparation of bids, the Capital project, all monitoring requirements and the ongoing operation of the facility
- Clarification and the agreement of LCC to contingency arrangements, responsibilities and liabilities in the event of the project encountering operational difficulties
- Further engagement with stakeholders including arts, health and education bodies and measures to ensure that benefits such as employment and outreach work are targeted at deprived communities
- Clarification regarding the VAT, Legal and regulatory issues of the final scheme, with confirmation from the Trust of HM&C approval.

**Subject to the issues outlined above being addressed, the panel is satisfied that the project could progress further and funding applications be submitted on condition that the Council has further opportunity to appraise and assess more detailed information relating to the project as it becomes available, and in particular to fully understand and agree to any potential short-term and long-term liabilities to the Council as accountable body and in terms of revenue support requirements.**

## **APPENDIX 3 – PROJECT RISK ASSESSMENT**

Lancaster City Council

### **Report on outcome of Risk Appraisal panel for the Winter Gardens proposals**

Date of panel: 20 March 2009

#### **Note on scope:**

The report considers the risks to Lancaster County Council of proceeding with the proposals to redevelop the Winter Gardens as put forward by the Morecambe Winter Gardens Development Trust and detailed in the draft Cabinet report v 0.05 19/03/09 prepared by Julian Inman and the draft Business Plan dated 13 March 2009 from L&R Consulting.

Due to the short timescales involved, especially the lack of time available for the panel to fully familiarise itself with the detailed content of the Business Plan and the incompleteness of some of the documentation, it has not been possible to conduct a full risk assessment on the proposals. The panel has restricted itself to identifying the risks and their level of seriousness, any controls already in existence which could be identified from the documents available, and recommending additional controls which will be needed to safeguard the Council's interests should it decide to proceed.

Findings:

<b>Risk type: Usage</b> <b>Risk: Conflict of interest – the proposed end usage is in direct competition with existing Council facilities</b>		<b>Risk level:</b> <b>HIGH</b>
Potential impact of risk on LCC	Existing controls/ Completed actions	Risk Treatment Actions recommended
<b>Other venues driven out of business if the project is a success. Possibility of less or less varied cultural/ entertainment offer than before. Council incurring costs relating to redundancies, disposal of buildings etc. Closure of other venues adds to urban blight and hampers regeneration efforts.</b>	<b>Audience Development plan implies a different target audience. Involvement of Cultural Services to comment on proposals.</b>	<b>LCC Cultural Services Team needs to have significant ongoing involvement in project development and delivery and programme of events/ activities offered in end product to ensure fit with agreed Cultural strategies.</b>

<b>Risk type: Usage</b> <b>Risk: Business Plan is not viable or sustainable in terms of future usage proposed.</b>		<b>Risk level:</b> <b>HIGH</b>
Potential impact of risk on LCC	Existing controls/ Completed actions	Risk Treatment Actions recommended
<b>Failure of venue to achieve audience and income projections leads to increased need for revenue support from LCC. Pressure on limited Council budgets. Closure of venue puts Winter Gardens back where it started with no identified use and deterioration of listed building starts again. Possible clawback if long term output targets from funders no longer achievable. Severe reputational damage and loss of credibility.</b>	<b>Commissioning of professional consultancy to draw up Business Plan and supporting studies. Involvement of Cultural Services to comment on proposals and underlying assumptions.</b>	<b>Robust testing of the viability of the Business Plan and its underlying assumptions will be required. Where internal LCC expertise is not available consideration should be given to buying in expert independent opinion.</b>

<b>Risk type: Usage</b>		<b>Risk level:</b>
<b>Risk: Design Plans and Business Plan not compatible with each other and proposed multi uses not achievable in the space provided</b>		<b>MED</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
The proposed range and scale of events cannot be delivered. Failure to generate the projected levels of income leads to increased revenue support requirements from LCC and pressure on limited Council budgets. Reputational damage from failure to deliver.		Further work will be needed on drawing together the two documents and assessing impact on existing Council policy and strategies. LCC Cultural Services needs to be involved in this process.

<b>Risk type: Usage</b>		<b>Risk level:</b>
<b>Risk: Programme of events etc developed is not sufficiently designed to appeal to contemporary audiences</b>		<b>MED</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Failure to attract sufficient audiences. Failure to generate the projected levels of income leads to increased revenue support requirements from LCC and pressure on limited Council budgets. Reputational damage from failure to deliver.	Audience Development study has been undertaken	LCC Cultural Services involvement throughout remaining development process.

<b>Risk type: Financial/ Accountable Body status</b>		<b>Risk level:</b>
<b>Risk: Capability and capacity of the Trust is not sufficient to manage a capital project of this size and complexity</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Failure of project or poor quality outcome leading to financial losses to LCC due to clawback of grant funding. Poor value for money obtained. Reputational damage to Council and loss of credibility with funders.	Involvement of LCC Planning staff in bid writing	Suitable governance and partnership arrangements must be drawn up between LCC and Trust to ensure clear and robust project management systems are in place and LCC has adequate involvement in key decisions and recruitment of key delivery staff in order to protect its interests as Accountable Body carrying significant financial risk.

<b>Risk type: Financial/ Accountable Body status</b>		<b>Risk level:</b>
<b>Risk: The Trust does not have the capability and capacity to facilitate the ongoing management of the facility and delivery of the Business Plan through granting suitable leasing arrangements and finding tenants.</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Failure of venue leading to financial losses to LCC due to clawback of grant funding or VAT. Poor value for money obtained. Reputational damage to Council and loss of credibility with funders.		Suitable governance and partnership arrangements must be drawn up between LCC and Trust to ensure clear and robust project management systems are in place and LCC has adequate involvement in key decisions and recruitment of key delivery staff in order to protect its interests as Accountable Body carrying significant financial risk.



<b>Risk type: Financial/ Accountable Body status</b>  <b>Risk: Expenditure not adequately controlled leading to cost overruns and overspends.</b>		<b>Risk level:</b>  <b>MED</b>
Potential impact of risk on LCC	Existing controls/ Completed actions	Risk Treatment Actions recommended
<b>Financial losses</b> <b>Loss of reputation/ credibility through failure to deliver</b>		<b>Strict monitoring requirements must be put in place to manage funding agreements between LCC as Accountable Body and the Trust. LCC Programmes Team to closely monitor progress.</b>

<b>Risk type: Financial/ Accountable Body status</b>  <b>Risk: VAT implications for how the building is managed and by whom following the refurbishment are not sufficiently taken into account and legislation is breached.</b>		<b>Risk level:</b>  <b>HIGH</b>
Potential impact of risk on LCC	Existing controls/ Completed actions	Risk Treatment Actions recommended
<b>Recovery of VAT by HMRC rendering Trust insolvent, LCC may be forced to intervene to save building</b>	<b>Both the Trust and LCC have taken VAT advice</b>	<b>Care must be taken over management and governance arrangements for ongoing activity post capital works.</b> <b>Early consultation of HMRC when plans are more developed is essential</b>

<b>Risk type: Financial/ Accountable Body status</b>		<b>Risk level:</b>
<b>Risk: The Trust cannot raise sufficient funds to cover the already identified ineligible costs of £300k</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Failure to raise the necessary funds leads to increased revenue support requirements from LCC and pressure on limited Council budgets.		Further investigation into soft costs required and early confirmation from funders whether any are eligible.

<b>Risk type: Financial/ Accountable Body status</b>		<b>Risk level:</b>
<b>Risk: Strain on Council budgets of substantial ongoing revenue support requirements even on best case scenario</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Cuts to other services. Project has to be scaled down leading to failure to achieve desired outputs. Reputational damage to the Council.		Rigorous assessment/ challenge of cost projections and underlying assumptions is required, possibly with external expert advice if insufficient expertise available within LCC.

<b>Risk type: Deliverability</b>		<b>Risk level:</b>
<b>Risk: Timing of funding drawdowns, cashflow, timescales for delivery once funding decisions made impact on delivery of capital project</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Timetable identified involves starting at risk without HLF decision and very short time to spend Sea Change monies. Financial losses due to clawback or failure to drawdown in time could render the project untenable or lead to serious overruns and increased costs for which no budget identified.		The Trust must work closely with LCC on management of the funding and the project, utilising existing LCC expertise in these areas. Procurement of an experienced, high calibre project manager crucial to success. Suitable governance and partnership arrangements must be drawn up between LCC and Trust to ensure clear and robust project management systems are in place and LCC has adequate involvement in key decisions and recruitment of key delivery staff in order to protect its interests as Accountable Body carrying significant financial risk.

<b>Risk type: Deliverability</b>		<b>Risk level:</b>
<b>Risk: Funders requirements around eligibility, timing, outcomes/objectives are not able to be met</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Clawback of funds – financial loss to LCC Loss of credibility with funders and reputational damage		Strict monitoring requirements must be put in place to manage funding agreements between LCC as Accountable Body and the Trust. LCC Programmes Team to closely monitor progress.

<b>Risk type: Deliverability</b>		<b>Risk level:</b>
<b>Risk: Lack of clarity around management and governance arrangements and decision making for both capital works and ongoing operation of facility</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Poor management of project, poor/ slow decision making, legal problems, lack of accountability, ultimate failure of project, huge financial implications for LCC and reputational damage		Suitable governance and partnership arrangements must be drawn up between LCC and Trust to ensure clear and robust project management systems are in place and LCC has adequate involvement in key decisions and recruitment of key delivery staff in order to protect its interests as Accountable Body carrying significant financial risk.

<b>Risk type: Deliverability</b>		<b>Risk level:</b>
<b>Risk: Range and scale of outputs offered to satisfy different funders are incompatible and unachievable</b>		<b>MED</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Clawback of funds – financial loss to LCC Loss of credibility with funders and reputational damage	Involvement of experienced LCC staff in bids	Strict monitoring requirements and delivery targets must be put in place to manage funding agreements between LCC as Accountable Body and the Trust. LCC Programmes Team to closely monitor progress. Early involvement of expert staff in LCC in drawing up of any output proposals to ensure realistic, achievable and measurable.

<b>Risk type: Deliverability</b>		<b>Risk level:</b>
<b>Risk: Lack of clarity around management and governance arrangements and decision making for both capital works and ongoing operation of facility</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Poor management of project, poor/ slow decision making, legal problems, lack of accountability, ultimate failure of project, huge financial implications for LCC and reputational damage		Suitable governance and partnership arrangements must be drawn up between LCC and Trust to ensure clear and robust project management systems are in place and LCC has adequate involvement in key decisions and recruitment of key delivery staff in order to protect its interests as Accountable Body carrying significant financial risk.

<b>Risk type: Deliverability</b>		<b>Risk level:</b>
<b>Risk: Range and scale of outputs offered to satisfy different funders are incompatible and unachievable</b>		<b>MED</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Clawback of funds – financial loss to LCC Loss of credibility with funders and reputational damage	Involvement of experienced LCC staff in bids	Strict monitoring requirements and delivery targets must be put in place to manage funding agreements between LCC as Accountable Body and the Trust. LCC Programmes Team to closely monitor progress. Early involvement of expert staff in LCC in drawing up of any output proposals to ensure realistic, achievable and measurable.

<b>Risk type: Deliverability/ Usage</b>		<b>Risk level:</b>
<b>Risk: Existing infrastructure (e.g. parking, transport links) not able to cope with additional visitors</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Poor visitor experience leading to few repeat visits thus failure to achieve income projections. Detrimental effect on local environment and local people's quality of life. Strain on existing facilities may lead to increased maintenance costs. Reputational damage to Council.		Further development work needed to identify/ model impact on local infrastructure, also taking into account regeneration plans for the area.

<b>Risk type: Deliverability/ Usage</b>		<b>Risk level:</b>
<b>Risk: Surroundings in current state not conducive/ compatible to proposed new cultural use</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Poor visitor experience leading to few repeat visits thus failure to achieve income projections. Reputational damage to Council.	West End Masterplan in place with regeneration investment planned in public realm in the area of the project	Further development work needed to tie in proposals to planned regeneration.

<b>Risk type: Reputational</b>		<b>Risk level:</b>
<b>Risk: Assumption by public that Winter Gardens is Council owned and any failure to support or deliver project is seen as LCC failure</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Reputational damage to Council.		Clear communications and joint publicity to ensure message is clear that project involves partnership with Trust, no one organisation to take all credit or blame. Sufficient management and partnership controls put in place to minimise chance of failure.

<b>Risk type: Reputational</b>		<b>Risk level:</b>
<b>Risk: Concentration of majority of cultural activity in one venue leaves no back up in the event of problems or failure</b>		<b>HIGH</b>
<b>Potential impact of risk on LCC</b>	<b>Existing controls/ Completed actions</b>	<b>Risk Treatment Actions recommended</b>
Danger of having less cultural activity on offer than before. Reputational risk to Council.	Existence of Cultural Strategy	Any proposals around future of Dome and Platform and other cultural activity in the District to accommodate a revived Winter Gardens must take place within the context of a comprehensive, wide ranging strategy and consider this risk carefully.

<b>Risk type: Partnership</b>  <b>Risk: Failure in partnership working between Trust and LCC</b>	<b>Risk level:</b>  <b>HIGH</b>
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Potential impact of risk on LCC	Existing controls/ Completed actions	Risk Treatment Actions recommended
<b>Huge Reputational and Financial damage to Council as Accountable Body.</b>		<b>Suitable governance and partnership arrangements must be drawn up between LCC and Trust to ensure clear and robust project management systems are in place and LCC has adequate involvement in key decisions and recruitment of key delivery staff in order to protect its interests as Accountable Body carrying significant financial risk. All parties must be clear on roles and responsibilities from the outset.</b>

<b>Risk type: Political</b>  <b>Risk: Political pressure to deliver a large scale project based around the Winter Gardens over-rides or compromises strategic and evidence based decision making</b>	<b>Risk level:</b>  <b>HIGH</b>
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Potential impact of risk on LCC	Existing controls/ Completed actions	Risk Treatment Actions recommended
<b>Poor decisions made or difficult decisions not taken leading to financial losses and reputational damage.</b>	<b>Appraisal system Codes of conduct for elected members and officers Member/ office protocols in place</b>	<b>Ensure compliance with existing controls.</b>