

EXTRACT FROM CABINET MINUTES – MINUTE 26 - STOREY CREATIVE INDUSTRIES CENTRE

Cabinet Member with Special Responsibility Councillor Hanson)

Cabinet received a report from the Chief Executive to provide an update on the Storey Creative Industries Centre (SCIC) Ltd's current financial position and to determine the way forward regarding the Council's involvement in the Centre. An exempt version of the report that included commercially sensitive information had been produced to support Cabinet's decision-making.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

OPTIONS FOR THE WAY FORWARD

The way forward therefore depended on whether the Council wished to provide a creative industries centre or whether it wished to pursue an alternative future for the building.

In terms of the Council's Corporate Plan, there was nothing specific regarding the continuation of a creative industries centre although having a successful operation could contribute to:

- maximising the district's cultural offer
- increasing participation in arts, culture and entertainment events.

The Council has committed to working with the Duchy to consider options for the long term use of Lancaster Castle. The Storey building occupies a prominent position and in future there may be other potential avenues to be explored regarding its use.

The Council still had service level agreements in place with Litfest and the Storey Gallery but these placed no obligations on the Council in connection with the Storey building itself.

Options for consideration were as follows:

Option1

Withdraw support for the Storey being used as a creative industries centre, and request a report back on all future options for the building.

Advantages	Disadvantages	Risks
<p>Avoids the need to set up management arrangements and other work involved, as well as the risks attached in taking on the running of the facility.</p> <p>Allows consideration and development of alternative uses for the building in future. Such options and any opportunities may be influenced by the future plans for Lancaster Castle.</p>	<p>Loss of creative industries centre and any spin off benefits for the local economy or community.</p> <p>Major disruptions for existing tenants, including VIC potentially.</p> <p>Likely short to medium term operational implications and difficulties subject to reaction of current tenancy base, until such time the council is able to gain vacant possession.</p> <p>No clear alternative use of building at present. It would be empty (or virtually so) for a period at least.</p> <p>Involves formal legal action, which could be protracted and would tie up staff resources, as would development of alternatives for the building. This would have adverse impact on other workloads and priorities.</p>	<p>At a strategic level, there is a risk that an acceptable future alternative use (or disposal) of the building could not be identified or secured and this would exacerbate the various substantial financial, reputational and operational risks that exist whichever option is chosen.</p>

Option 2

Continue to support the Storey being used as a creative industries centre but under the Council’s direct management and control, authorising the Chief Executive to take actions as necessary, prior to reporting back to Cabinet.

Advantages	Disadvantages	Risks
<p>Would allow creative industries centre to continue, with spin off economic and community benefits.</p> <p>Allows tenants to remain (subject to satisfactory lease terms being in force).</p> <p>Secures a medium term use</p>	<p>Major work and risks involved in setting up management arrangements and in taking on the running of the facility – this should not be underestimated and it would have an adverse impact on other tasks and council priorities.</p>	<p>Greater exposure in terms of managing the property, HR and financial risks attached to taking on the running of the facility.</p> <p>Stakeholder relationships may break down, particularly with the Company and with staff / tenants; this aspect may have greater adverse reputational</p>

for the building but still provides opportunity for review, in due course.		impact on the Council. Still the risk that the operation proves financially unviable.
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On the basis that the Council still wished to provide a base for creative industries and accepted the risks attached, Option 2 was the preferred officer option.

Councillor Blamire proposed, seconded by Councillor Hanson:-

- “(1) That Cabinet notes that SCIC Ltd is in default of the loan agreement with the City Council and further notes the actions taken in view of that default.”
- “(2) That Cabinet notes the statement put forward by the SCIC Board.”
- “(3) That Option 2 be approved as the preferred way forward for the Storey building.”
- “(4) That any actions necessary to progress the preferred way forward, within the financial framework as set out, be delegated to the Chief Executive and the Chief Executive be requested to report back on actions taken and the details of proposed future arrangements for consideration by Cabinet.”
- “(5) That the Chairman of Overview and Scrutiny Committee be consulted with regard to waiving call-in.”

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet notes that SCIC Ltd is in default of the loan agreement with the City Council and further notes the actions taken in view of that default.
- (2) That Cabinet notes the statement put forward by the SCIC Board.
- (3) That Option 2 be approved as the preferred way forward for the Storey building.
- (4) That any actions necessary to progress the preferred way forward, within the financial framework as set out, be delegated to the Chief Executive and the Chief Executive be requested to report back on actions taken and the details of proposed future arrangements for consideration by Cabinet.
- (5) That the Chairman of Overview and Scrutiny Committee be consulted with regard to waiving call-in.

Officers responsible for effecting the decision:

Chief Executive
Head of Financial Services (Resources)

Reasons for making the decision:

The current set up for managing the Storey had clearly failed, exposing the Council to financial and other risks, and requiring significant staff time to help manage the current position. The company had accepted that it was in financial crisis and could not continue to operate as before; it now sought support in some form from the City Council, as landlord.