

CABINET

**Storey Creative Industries Centre: Progress Update
06 November 2012**

Report of the Head of Resources

| PURPOSE OF REPORT | | | |
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| To provide Cabinet with an update on the position regarding the Storey Creative Industries Centre (CIC). | | | |
| Key Decision | <input type="checkbox"/> | Non-Key Decision | <input type="checkbox"/> |
| Referral from Officer | | | X |
| This report is public. | | | |

RECOMMENDATION OF THE HEAD OF RESOURCES:

- (1) That Cabinet notes the report and makes any further recommendations as it considers appropriate.

1 INTRODUCTION

- 1.1 At its meeting in October Cabinet requested a regular update on the position regarding the Storey. This report covers progress and matters arising up to Monday 22 October; any later events will be reported at the meeting.
- 1.2 A visit to the Storey and a meeting with the tenants is currently being arranged for Cabinet Members; details will follow in due course. This report provides some outline issues for consultation and discussion with tenants at that meeting.

2 GENERAL PROGRESS

- 2.1 Further to the Council forfeiting the lease and taking possession of the building on 08 October, work has centred on:
- ensuring that essential services to the building continue under contracts in the Council's name and that statutory responsibilities are addressed;
 - gaining sign up from tenants on interim 3 month licences for occupation, or confirmation of their alternative plans;
 - sorting out the many other practicalities associated with the building. This includes room bookings, licensing arrangements, internet connections, key contact information, reception services, interim marketing requirements, amongst other things.

- 2.2 Of the 10 prospective tenants, 7 have signed 3 month licences and Officers are in discussion with the three parties who have not yet signed up. One of the major occupiers has vacated but this was planned before the Council took possession. We have also had contact from two other parties expressing an interest in renting accommodation at the Storey.
- 2.3 With regard to the Storey Gallery company, it has been provided with clarification on the funding decisions taken at the October Cabinet meeting and confirmation of the company's tenancy intentions is now being sought.
- 2.4 In relation to SCIC Ltd, there has been no further communication from the Liquidator.
- 2.5 Work is underway on understanding and appraising the Proud project.
- 2.6 The Visitor Information Centre re-opened in the Storey Institute on 08 October and is trading fully. The VICs are providing the reception services for all visitors to the building and working with Property Services on a range of public signage and information issues.
- 2.7 In terms of financial impact and budgeting, clearly it is very early days and at the time of writing this report, no assumptions had been made regarding future occupancy levels, other income streams, future management arrangements or the outcome of the conditions survey. Sorting out the provision of facilities and services to the building will also have impact. Nonetheless, a draft financial summary of the position to date is attached at **Appendix A**. This is for information only and it will change as the facilities management arrangements develop.
- 2.8 It is highlighted that establishing management arrangements for the Storey has taken a significant amount of time and effort from a number of Officers and it is inevitable that other tasks have been delayed. This situation will continue and although over time the nature of the work will become more proactive than reactive, at some point in the future there will need to be a reassessment of the staff resources needed to manage or oversee the building, depending on what the future arrangements actually are.
- 2.9 Any operational decisions are being made using either existing Officer delegations or on the assumption that ultimately, charges for services should be recovered in full from tenants, whilst still seeking to keep those charges to a minimum. Practically it is considered that there is no other way of managing the current position. It is hoped that occupancy and room hire will improve to enable the operation to at least break-even in marginal terms (and in the short-term) but at present there is no guarantee of achieving this. If the net budget for the Storey does need to be updated, this will be reported through to Cabinet for referral on to Council, in the normal way.
- 2.10 At present though, no referral is requested – it is simply too early to be clear about the future and more direction will be needed from Members.

3 FUTURE ARRANGEMENTS

- 3.1 Whilst most work has focused on immediate needs and concerns, some

consideration has also been given to future arrangements. In due course Member decisions will be required but for now, the key issues are outlined below for information only and to help inform future dialogue with tenants and other stakeholders.

3.2 Future Direction

3.2.1 The Council resolution states that “... Council's preferred direction for the Storey Institute is to seek to continue operating as a Creative Industries Centre, *without excluding other options*, in order to make the building sustainable and that the Council works productively with the tenants and other stakeholders, to achieve these ends.”

3.2.2 Furthermore, the resolution goes on to say that “... any decision regarding the status of the building be brought to full Council, for example, if it were offered for sale.”

3.2.3 Clarification will be needed on what may or may not be acceptable with regard to “other options”. To help with this, some examples are outlined below. These are not exhaustive, or mutually exclusive.

(a) There has been some approach and suggestion that whilst the main building could be kept as a CIC, part could be redeveloped. This could have the benefits of rationalising space and reducing running costs, whilst generating some capital income and helping to address / reduce future capital investment needs. It would reduce available space, however.

(b) Depending on the covenant, a different interpretation (or better understanding) of CIC could be developed with the aim of improving occupancy. This could be considered separately or alongside rationalising the property portfolio – e.g. other Council owned commercial properties are not fully occupied and the Council could consider disposing of other property, to promote other regeneration whilst improving the remaining portfolio and seeking to save money.

(c) It is unclear whether, alongside developing the Storey as a CIC, Members wish to consider other different options, as a contingency if the CIC proves unsustainable.

(d) Cabinet may have other ideas, for example linked to ancillary services and ways of promoting council priorities, particularly economic growth.

3.2.4 These points are raised to aid discussion and debate within Cabinet and with tenants and other stakeholders. No decisions are required at this time.

3.2.5 To support future decision-making, a full valuation of the Storey building is planned. This will provide useful comparators in both capital and rental terms and alongside the conditions survey, which should be available soon, it will provide a useful framework within which to consider the building's future.

3.3 Future Management Arrangements

3.3.1 In due course Cabinet will be requested to decide on future management arrangements for the building. Members are already aware that there have

been two expressions of interest from tenants to work with the Council. Meetings have been held with these tenants and details of their proposals are being confirmed and appraised.

3.3.2 In summary, there are three basic options for consideration:

- (1) Undertake all management in-house.
- (2) Work with one or more of the tenants on aspects of management.
- (3) Appoint an external management company.

3.3.3 Options 2 and 3 would be subject to procurement rules being met and all options would be subject to value for money considerations – economy, efficiency and effectiveness.

3.3.4 Whilst it is important that decisions are taken in a timely way, it is more important that the right decision is taken and that Members are aware of the associated opportunities and risks. Furthermore, to the Council's in-house interim set up needs to 'find its feet' and fully understand the operation and the building.

3.4 **Democratic Responsibility and Accountability**

3.4.1 Alongside future management arrangements, the democratic arrangements will need to be determined. These will depend on how responsibilities are to be allocated and how tenant and other stakeholder liaison and consultation is to be managed. Some outline options are set out below.

Cabinet Portfolio Holder

The Storey will need to be allocated by the Leader to a Portfolio. Decision-making, consultation, performance monitoring and reporting could be undertaken just through the normal channels. Any other arrangements would be supplementary to this, and they would depend on the proposed purpose.

Cabinet Liaison Group (CLG)

To provide support to the Portfolio Holder and ensure appropriate consultation with outside representatives, a CLG could be set up. Clearly this would have no decision-making powers. The composition of the CLG would be at the discretion of the Portfolio Holder but its terms of reference would need to be agreed by Cabinet.

Cabinet Committee

Alternatively, similarly with the Markets Committee that operated a few years ago, Cabinet could delegate some decisions to a specific Committee under clear terms of reference. Meetings would be held in public and decisions taken would be subject to call-in and to the new Local Authorities meetings regulations relating to executive arrangements.

4 **CONCLUSION**

4.1 This report is presented primarily for information and therefore no options are presented. In terms of consultation, this report will be shared with Storey tenants, so that they too understand the current position and future decisions

needed.

- 4.2 As with bringing the Williamson Park operation back in house, these initiatives take time to implement and develop and this must be appreciated.

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| RELATIONSHIP TO POLICY FRAMEWORK The Storey operation will need to support Council's priorities and be sustainable, to fit with the Council's theme of managing the Council's resources to deliver value for money. | |
| CONCLUSION OF IMPACT ASSESSMENT Not applicable at this stage – this report is for information only. | |
| LEGAL IMPLICATIONS None arising directly as a result of this report. | |
| FINANCIAL IMPLICATIONS Development of the Storey's budget is underway and Appendix A sets out the estimated position so far, based only on current occupancy as reported above, and compared with the relevant budget provision that already exists in respect of the Storey. It can be seen that at present, the operation does not break even but it is very early days and there should be sufficient scope through increasing occupancy and room hire to improve the position. That said, repair, maintenance and refurbishment needs are not yet known. The draft operating budget will continue to be updated and reported through to Members. | |
| OTHER RESOURCE IMPLICATIONS Human Resources / Information Services / Property / Open Spaces: As reflected in the report. One of the biggest concerns to appreciate is the amount of Officer time being spent on the Storey and that this has an adverse impact on other workloads. | |
| SECTION 151 OFFICER'S COMMENTS The s151 Officer has produced this report, in her capacity as Head of Resources. | |
| MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments to add. | |
| BACKGROUND PAPERS None. | Contact Officer: Nadine Muschamp Telephone: 01524 (58)2140 E-mail: nmuschamp@lancaster.gov.uk Ref: NM/ES/Cttees/Cabinet/09.10.12 |