

# CABINET

## Canal Corridor North Dukes Capital Scheme Development 4<sup>th</sup> October 2016

### Report of Chief Officer (Regeneration and Planning)

PURPOSE OF REPORT				
To advise Cabinet of progress regarding the development of the proposed Dukes capital scheme, as part of Canal Corridor North, and to consider a role for the Council as applicant and accountable body for Arts Council England funding.				
Key Decision	<b>X</b>	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision		5 <sup>th</sup> September 2016		
This report is public				

#### RECOMMENDATIONS OF Councillor Janice Hanson and Councillor Darren Clifford

It is recommended that:

- (1) The Council acts as lead applicant and accountable body for a Stage 1 (development phase) application to the Arts Council England, Large Capital Grants scheme, to support development of detailed proposals for a new cultural venue within the Canal Corridor North (CCN) development, subject to Recommendation 2 below
- (2) The Council ensures that quality and potential impact of the proposals for the new cultural venue are sufficient to deliver overall benefits for the Council, the wider CCN scheme, the local economy and quality of life in the district, whilst also ensuring that all management, monitoring and delivery arrangements are acceptable
- (3) To ensure that a Stage 1 application can be submitted by the due date, the final decision on the extent to which conditions (as detailed in Recommendation 2) are met, is delegated to the Chief Executive, in consultation with the Section 151 Officer and Portfolio Holders

## **1.0 Introduction**

- 1.1 Members were recently briefed on progress of the Canal Corridor North (CCN) scheme (*Full Council, 15<sup>th</sup> June, minute 23 refers*). Council resolved to support the scheme in principle and instructed officers to continue working with British Land to develop a viable scheme. This work is ongoing and will be reported to council in due course.
- 1.2 One of the key elements of the scheme is the potential to include a much enhanced arts and cultural facility which would become the second “anchor” within the scheme to complement the major retail store anchor. This facility would include an expanded Dukes theatre and potentially provision for other local arts providers such as LUDUS Dance. The report to Council also flagged up that such a facility could attract substantial capital grant support from national external funders, such as Arts Council England (ACE).
- 1.3 The current round for submitting ACE capital funding bids is now open. The deadline for submitting Stage 1 bids is 20<sup>th</sup> October 2016 with the results being announced in June 2017. Because of this deadline, and the important contribution a grant (of up to £5m) would make to the overall viability of the CCN scheme, work on the new cultural facility has been prioritised.
- 1.4 If the Stage 1 bid is successful, this will provide access to ACE funding to develop a Stage 2 bid in more detail which must then be submitted within 18 months.

## **2.0 Background**

- 2.1 The successful redevelopment of the Canal Corridor site is of critical importance to the future of Lancaster and the wider district. It will regenerate an unattractive and under-performing part of the city, stimulate investor confidence in the wider area and significantly improve Lancaster’s role as a sub-regional retail, leisure and cultural centre. In turn, this improved place offer is crucial to the future growth of Lancaster University and other major employers in the District wishing to recruit and retain students and quality staff.
- 2.2 Critical to this is achieving the right scale and mix of uses and securing a quality development that builds upon the many cultural and heritage assets present, in and around the site. In this way, a development that is unique to Lancaster and which is a leader in cultural led regeneration can be achieved.
- 2.3 A key component in this mix is the Dukes Theatre, which has the potential to expand and develop its current operation and become a key anchor tenant as part of a new cultural hub located at the heart of the new development. A high quality, cultural facility would add value to the CCN development, creating an appeal that is distinctive, improving the overall attractiveness of the location. The drawing power of Lancaster would be significantly enhanced to contribute positively to the economy of North Lancashire and South Cumbria as a place to visit, as well as to live and work.
- 2.4 Following the positive resolution obtained at the June Council meeting, work has continued on all aspects of the CCN scheme but, because of the deadlines associated with ACE funding, there has been a particular emphasis on developing the cultural proposition. A key element of this work has been to develop a strategy to maximise the prospects of successfully obtaining a capital grant award in the current ACE funding round. This could release up to £5m of grant funding for the proposal.
- 2.5 Although no development money is available prior to Stage 1, a substantial amount of work is required to support the bid. This work is currently being “shared” by the City Council and British Land as part of the main CCN

development work and includes an assessment of the market for a new and larger cultural facility, detailed business planning and drawing up outline designs for the new building. This is important in terms of demonstrating the viability of the new offer and reducing risk going forward.

- 2.6 Ongoing work has also involved discussions with ACE to obtain their views on how best to present the case for funding. It is very clear that there will be considerable competition for ACE capital funding in the current round and it is understood that regional competing proposals are ambitious and well developed. Advice from ACE strongly suggests that it would be advantageous for the Council to act as lead applicant and accountable body. However, it will be important to evidence that the proposal is the right one to lead a step change in arts and cultural provision in the district. The ACE Director for the North West has stated that:

*“..a new cultural venue for Lancaster that would find ACE support would need to be significantly more aspirational than the current offer in the city, more vibrant and with a greater multiplicity of partner and artists, in a more porous facility.”*

- 2.7 An important piece of work has recently been undertaken by Bonnar Keenlyside to assess the opportunity and market factors relating to the proposals. The report and its appendices, in draft form is provided at Annex A. The report is not only helpful in ascertaining that there is a market opportunity but also that there are opportunities that have not yet been fully grasped. In particular, the report states:

*“The operating position has shifted considerably since 2013 and it is clear that there is a palpable opportunity for a step change in cultural provision in Lancaster, developing a transformative venue driven by new ideas, multiple partnership and dynamic leadership.”*

- 2.8 The proposals, as developed to date, represent an expansion of the current Dukes facility, which, while increasing running costs, offer a number of additional or growing income streams. In terms of ACE support it will be critical that the proposals are sufficiently strong in financial and sustainability terms. The market opportunities identified in the Bonnar Keenlyside report are helpful but it is clear that the opportunity to develop real and lasting sustainability lies in the partnership.

- 2.9 The partnership that includes British Land, Lancaster University, the Dukes and the City Council is a unique and very positive aspect of the current proposal. Essentially, the partnership is working together around the wider CCN scheme as well as the proposed cultural venue. The University is seeking a greater city presence and is engaged in exploring closer and further partnerships with the Dukes as part of this. In this context, it seems extremely likely that strengthening and formalising the cultural relationship between the University and the Dukes could lead to the transformational step change that the Arts Council is seeking and is significantly more likely to lead to a sustainable financial basis for the ongoing operation.

- 2.10 As a Local Authority, the City Council has multiple interests in the Dukes development and the wider CCN development. As well as planning responsibilities, the Council has an important stewardship role and is an economic development authority so has an interest in securing significant long term economic benefits and strengthening the Place Offer of the city and wider district. As part of this, arts and culture are important and quite unique factors in the local economy and the potential the University offers, as it become more embedded in the city, is huge in terms of economic contribution, vibrancy and resilience.

### **3.0 Proposal Details**

- 3.1 Initially, in order to develop and submit an application at Stage 1 by the 20<sup>th</sup> October, a decision now needs to be made regarding which organisation will act as the lead applicant and accountable body for the development phase of the project.
- 3.2 The Council's support for the proposed new cultural venue is critical in terms of its acceptability to ACE. There are advantages to the scheme if the Council acts as lead applicant and accountable body. Apart from its role as a Local Authority, acting in the interests of the district, the Council adds transparency and accountability as well as its considerable experience of managing external funds.
- 3.3 This report therefore proposes that the Council acts as the lead applicant, on behalf of the emerging arts and cultural partnership, and as the accountable body for the Stage 1 development phase for a new arts and cultural facility in Lancaster.
- 3.4 In terms of the lead applicant role, the Council will wish to provide the strategic framework for both the CCN scheme and the new cultural facility, ensuring that all proposals are in the overall interests of the city and wider district. The Council will also wish to ensure that the partnership proposals are as strong as possible to present ACE with an aspirational opportunity.
- 3.5 In terms of acting as accountable body, the Council will need to ensure that all conditions of grant can be met and that acceptable financial, delivery, monitoring and performance management arrangements are in place.
- 3.6 In general terms, the Council is well placed to act as accountable body in terms of financial management, monitoring, management of risk and all audit requirements, subject to the agreements it would develop with partners. For members' information, a risk assessment is included in this report at Annex B.
- 3.7 At the time of writing this report, the elements of work that need to be included in the Stage 1 application are being identified but will include, at least, detailed design and further viability testing for the ongoing operation. Although a figure representing the value of these works is not yet available, the request for development funds will not exceed £500k, which is the maximum ACE will support.
- 3.8 If successful at Stage 1, a further decision will ultimately be required to determine the application and potential accountable body for Stage 2. At that time, greater clarity will be available regarding the detailed design of the project, long term management arrangements, partnership arrangements, the financial sustainability of the ongoing operation, as well as any possible risks to the Council. Overall viability of the scheme will be a key consideration and the Council will wish to ensure that viability testing is an integral part of the development of proposals.

### **4.0 Details of Consultation**

- 4.1 Officers have engaged with partners intensively as part of the wider CCN scheme and the Dukes capital scheme. This report reflects the current stage of development of the Dukes scheme and takes into account comments from ACE and experienced consultant advisors.

## 5.0 Options and Options Analysis (including risk assessment)

	<b>Option 1:</b> The Council acts as accountable body for a new arts and cultural venue as part of the CCN scheme, subject to conditions	<b>Option 2:</b> The Council does not act as accountable body for a new arts and cultural venue as part of the CCN scheme.
Advantages	<p>Improved chance of a successful application for ACE funding</p> <p>Development of a new cultural partnership, influencing and providing leadership for the future development of arts and culture in the district</p> <p>Subject to funding, the potential development of a creative hub in the city, generating new ideas and practices, representing a step change in cultural provision</p> <p>Subject to funding, a potentially positive impact on the wider CCN development in terms of attractiveness, footfall and tenant interest</p> <p>Subject to funding, significant potential economic impact for the city and the district</p> <p>Subject to funding, improved long term sustainability of a new operational model</p>	<p>Resources to manage the Council's accountable body role, not required</p> <p>No direct risks associated with the responsibilities for external funding</p> <p>Allows any other possible options to be considered</p>
Disadvantages	<p>Staff resources are required to manage the accountable body role and to play an active role in the development of the Stage 1 bid and detailed proposals for a potential Stage 2 application</p>	<p>Chances of a successful application for ACE funding significantly reduced</p> <p>Increased likelihood that the Dukes scheme, as it stands, cannot be delivered</p> <p>Lost opportunity to influence a transformational change in arts and culture provision in the city and to ensure economic and social outcomes are achieved</p> <p>Lost opportunity to significantly improve sustainability of the</p>

		longer term operational model  Lost opportunity to develop a unique, creative and influential partnership to develop the creative potential of the city and beyond, providing leadership across the sector
Risks	Headline accountable body risks are covered in Annex B	Increased to the CCN scheme as a whole, in terms of the potential loss or reduction in quality of the planned cultural venue

## **6.0 Officer Preferred Option (and comments)**

6.1 The officer preferred option is Option1

## **7.0 Conclusion**

- 7.1 This report proposes that the Council acts as accountable body, subject to conditions, for a Stage 1 (development phase) application to ACE for a new cultural venue in Lancaster. As part of the CCN development, this would allow plans to be developed for a creative hub for the Dukes, Ludus Dance, Lancaster University cultural and learning activities and, potentially, other cultural partners. The key issues relating to the accountable body role are detailed and discussed at Annex A.
- 7.2 The Council has the responsibility to ensure that proposals are right for the district, are deliverable and achieve the right results. Acting as the Local Authority, the Council has an interest in ensuring that value is added to the wider CCN scheme, economic and social outcomes for the city and the wider district are achieved and a more sustainable financial and operational model is developed. The Council's direct role as a strategic partner and as accountable body places it in a good position to support the development in a way that ensures the maximum benefits are achieved.
- 7.3 While there are no guarantees that a funding application at Stage 1 will be successful, all indications are that the Council acting as accountable body and lead applicant, on behalf of the partners, will provide ACE with reassurance.

## **RELATIONSHIP TO POLICY FRAMEWORK**

The proposals in this report support the delivery of the Corporate Priority "Sustainable Economic Growth", the Outcome "The attractiveness and offer of the district as a place to visit or invest in will be improved" and the Success Measure "Enhance Lancaster's urban centre through investment in the built environment, heritage assets and the public realm"

## **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

There are no specific implications arising from the Council acting as accountable body. However, a potential new and very accessible arts and cultural facility in Lancaster is likely to be very positive for the community in general as well as visitors.

## **LEGAL IMPLICATIONS**

The legal implications are as set out in the report and, in particular, Annex B. Legal Services should be consulted on any conditions attached to funding obtained.

## **FINANCIAL IMPLICATIONS**

At this stage, it is not expected that there will be any significant additional direct costs arising from the officer preferred option. It is worth noting, however, that existing staff resources will be required in the first instance to play an active role in the development of both the Stage 1 bid and subsequent management of the accountable body role, if successful, thereafter, which inevitably will lead to a re-direction of resources from other activity of a lesser priority. The Council is well versed in the management of such a role, however, with associated key risks and their mitigation set out in Annex B.

In the event that the commissioning of appropriate external specialist advice is required in order to meet any requirements for submission of Stage 1, Members are reminded that at its meeting on 15 June 2016, Council approved the use of the Restructuring (Budget Support) Reserve (of around £50K) in connection with progressing the proposed CCN scheme, whilst recognising that this may need to be increased depending on how the project develops.

It is further re-iterated that progression beyond Stage 1 would require a further report for approval to Cabinet.

## **OTHER RESOURCE IMPLICATIONS**

### **Human Resources:**

Resources are required in terms of partnership support for the development phase of the dukes capital scheme and in order to represent the Council's wider interests; for financial management and to meet audit requirement; monitoring of progress and performance.

### **Information Services:**

No specific implications as a result of this report.

### **Property:**

No specific implications as a result of this report. However, the Dukes scheme does have property considerations which are being dealt with as part of the CCN scheme.

### **Open Spaces:**

No specific implications as a result of this report. However, the Dukes scheme does have implications for open land in the CCN area, which are being dealt with as part of the CCN scheme.

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

To take advantage of the opportunity that the ACE bid presents, inevitably there are risks attached with taking on the accountable body role for the Stage 1 application and information on these – together with comments on mitigation – are provided within the report and appendices. Cabinet is advised to consider them carefully and raise any issues, as in effect they would need to be accepted in pursuing the application. There is no risk-free option in pursuing this (or any other) opportunity.

To help in managing such risks, as part of due diligence prior to submitting the bid, the s151

Officer will be consulted and provide her advice into the submission.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

none

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