

THURSDAY, 14 JANUARY 2016

REPORT OF THE PORTFOLIO HOLDER FOR ECONOMY AND EDUCATION

ENTERPRISE QUARTER PROGRESS REPORT

EXEMPT INFORMATION

None

PURPOSE

To update Members on progress on the Enterprise Quarter project and seek relevant approvals to progress the project

RECOMMENDATIONS

- 1) Cabinet, as part of the budget setting process, consider:
 - a. the movement of £124.3k from the capital project budget to the revenue budget to meet the costs of the community activities
 - b. allocating £510.8k additional capital monies to the project through the Capital programme
- 2) Cabinet approves the project programme in Appendix A and notes that hirers and tenants of the Philip Dix Centre will be given notice to vacate the building
- 3) Cabinet endorses an options appraisal to consider future short and long term delivery of Tourist Information and gives authority to the Portfolio Holder for Operations and Assets, the Portfolio Holder for Economy and Education, the Director for Assets and Environment and the Director for Transformation and Corporate Performance to conclude and implement the options appraisal
- 4) Cabinet give authority to the Portfolio Holder for Operations and Assets in consultation with the Portfolio Holder for Economy and Education to tender for professional services and contractors and enter into relevant contracts
- 5) Cabinet give authority to make use of the County Councils existing arrangements for professional services and contractors for the detailed design and construction of the Philip Dix Centre.

EXECUTIVE SUMMARY

In February 2015 Cabinet considered a report which provided an update to the funding and implementation of the Creative Quarter project (now known as the Enterprise Quarter project). The project aims to transform an important part of the town centre, injecting much needed economic vibrancy and helping to re-define Tamworth as a place to work, do business, visit and live. The project includes improvements to Tamworth Assembly Rooms to reinvigorate it as a major cultural, social and economic asset; the transformation of the Philip Dix building into a Business Enterprise Centre; realising the potential of the Carnegie Centre; improved access to the library, and enhancement of the surrounding public realm that connects all four buildings and connections in to the town centre.

1) Progress to date

Cabinet approved six recommendations. An update on each recommendation and any associated issues is considered below:

- 1) *Approval of the Capital Appraisal form for inclusion into the Medium Term Financial*

The capital appraisal considered the project costs from 2015/16 to 2018/19 would amount to £5,568,400 and that income would amount to £4,574,400 leaving a shortfall of £994,000 to be funded by Tamworth Borough Council from capital receipts (including £674k earmarked from the potential sale of the former Golf Course). This appraisal included an element of works which are no longer considered to be part of the capital works and related to community engagement activities (£124.3k). The appraisal also did not take account of £63k of TBC revenue match funding that has been identified from existing projects to support these activities. The £63k had been included in the revenue base budget. Furthermore, as part of regular monitoring of the project it is now estimated that the project capital costs will amount to £5,954,911, an increase of £386,511. In Feb 15 the cost of the public realm works was included in the costs for the library works. These works have now been separated out and the total cost of these two elements has increased by £281.8k. The other significant additional cost, £229k is an inclusion of a risk contingency of 4%. This has been included over and above individual contingencies for each of the projects to reflect any major delays or unforeseen cost increases. This has been included on the advice of the governance group. Furthermore, due to the delay in LGF funding being achieved, the programme start date has slipped and construction price inflation has also impacted on estimated build costs. A comparison of estimated costs from February 2015 and the latest estimate is included below.

Project costs (£000's):

	Feb 15	Dec 15	Difference
Capital Works			
Assembly Rooms	4,470.9	4,346.6	-124.3
Phil Dix Centre	575.9	575.9	0
Carnegie Centre	110.0	110.0	0
Library	411.6	354.7	-56.9
Public Realm		338.7	+338.7
Sub-Total	5,568.4	5,725.9	+157.5
Risk Contingency @4%		229.0	+229.0
Capital works Total	5,568.4	5,954.9	+386.5
Revenue Works			
Community activities	63.4	187.7	+124.3
Revenue Total	63.4	187.7	+124.3
Grand Total	5,631.8	6,142.6	+510.8

The estimated capital funding available is now £5,444.1 a reduction of £124.3. This reflects the amount that was previously attributed to capital which is now allocated to revenue activities. The overall project income remains the same. The February Cabinet figures for the HLF included an allowance for community engagement activities. Whilst this has been awarded it can not be spent on the capital works and therefore the most recent budget estimate removes this (£124.3k) from the capital income to the revenue income. At the time of writing the February Cabinet report a bid for Single Local Growth Fund monies had yet to be confirmed and we are still awaiting final confirmation from SSLEP which is expected in February. A comparison of estimated project income from February 2015 and the latest estimate is included below.

Estimated Project Income (£000's):

	Feb 15	Dec 15	
Capital Works			
Heritage Lottery Funding	903.4	779.1	-124.3
Staffordshire County Council	567.5	567.5	0
Single Local growth Fund	2,953.5	2,953.5	0
Donations, sponsors and small grants	50.0	50.0	0
Private sector investment	100.0	100.0	0
Tamworth Borough Council	994.0	994.0	0
Total Income for Capital works	5,568.4	5,444.1	-124.3
Revenue			
Heritage Lottery fund	0	124.3	+124.3
Tamworth Borough Council	63.4	63.4	0
Revenue Total	63.4	187.7	+124.3
Grand Total	5,631.8	5,631.8	0

The latest budget estimate compared to that in February 2015 sees a reduction in estimated funding for the capital works and the projected increased costs for the project leads to a gap between estimated income and estimated expenditure of £510.8k.

	Feb 15	Dec 15	Difference
Capital Costs	5,568.4	5,954.9	+386.5
Capital Income	5,568.4	5,444.1	-124.3
Net Capital	0	510.8	+510.8
Gap	0	510.8	+510.8
Revenue Costs	63.4	187.7	+124.3
Revenue Income	63.4	187.7	+124.3
Net revenue		0	0
Gap		0	0
Total Costs	5,631.8	6,142.6	+510.8
Total Income and allocation	5,631.8	5,631.8	0
Total Gap	0	510.8	+510.8

Officers from the Planning and Regeneration Service have sought to minimise the funding gap and have identified options for further external funding. A submission was made to Government via Stoke on Trent and Staffordshire Local Enterprise Partnership (SSLEP) for European funding over the summer. Whilst the bid gained gateway approval for the principle, it became clear through discussions with Government officials that the bid would not ultimately be successful due to the fundable elements not being of sufficient value to get over the minimum bid value and the bid was withdrawn. Officers have held discussions with SSLEP about the possibility of further SLGF funding and have already submitted a draft bid for discussion for further funding to cover the gap. However, it is unlikely that a decision will

be made before February 2016.

It should also be highlighted that the £50k estimated as income from donations, sponsors and small grants may not be fully realised and any shortfall may be required to be met from either the project risk contingency or, following a further report to Cabinet should the situation arise, to release general capital contingency.

For these reasons Cabinet is asked to consider, as part of the budget setting process, underwriting the gap in funding of a total of £510.8k which would need to be met from the potential capital receipt from the sale of the former golf course or from prudential borrowing. Should borrowing be required then this will impact on the revenue budget relating to interest and debt repayment costs (c.£86k p.a.). This includes an amount for the estimated increase in costs (which includes a 4% contingency) of £510.8k to ensure that the Council can fulfil any contractual obligations with consultants and contractors and other funding streams. Officers will continue to seek any and all opportunities for external funding to reduce the amount that the Council needs to allocate. It should also be recognised that the costs are estimated at this stage and until final tenders have been received for professional services and build then these costs could go up or down.

2) Endorsement of the current funding position in regards to external funding bids;

The HLF and SLGF bids were both successful. However, the SSLEP have not received confirmation from the Treasury of their total LGF award and until this is confirmed (expected in February 2016) they will confirm formally the award to Tamworth Borough Council. In recognition of a possible budget income shortfall a bid for funding for European monies through ERDF programme was made. Whilst the bid was accepted in terms of meeting the objectives of the fund, the fundable elements were below the threshold for the minimum bid, i.e. it was not of sufficient value, and the bid was therefore withdrawn.

As described above a further bid for SLGF monies has been made to SSLEP. Other funding opportunities are also being sought including the possible bid to GBSLEP for SLGF.

3) Delegated authority was given to the Director of Community Planning and Partnerships in conjunction with the Portfolio Holder Education and Economy to update and submit the previously endorsed HLF Bid for Tamworth Assembly Rooms;

The HLF bid was submitted in March 2015 and in June 2015 the HLF confirmed that the project had been awarded £903,400.

4) Agreement that the Leader writes formally to Staffordshire County Council (SCC) to secure the agreed £500k financial contribution from SCC;

Staffordshire County Council were asked to formalise their offer of support and the County Councils Property Board took a delegated decision to authorise the £500k cash contribution in addition to the £67.5k land value they are contributing.

5) Delegated authority to the Director of Community Planning and Partnerships in conjunction with the Portfolio Holder to review and amend the project governance structure to ensure it remains fit for purpose as we move towards implementation;

A governance structure has been established that brings together officers and Members from Tamworth Borough Council and Staffordshire County Council. A quarterly meeting of the respective portfolio holders from each organisation and senior officers has been established to receive reports on progress and sign off key milestones. There is a meeting of senior officers from both councils every two months to guide the integration and delivery of the different project elements. There are monthly meetings of the two project management teams: one team for the Assembly Rooms element; the other team for the other elements of the Enterprise Quarter.

6) *Approved the temporary closure dates for Tamworth Assembly Rooms and initial closure plans.*

The Assembly Rooms will close on 8/2/16. Work has taken place to assist groups who use the Assembly Rooms to find alternative premises.

Given the closure of the Phil Dix Centre and the closure of the Assembly Rooms, consideration will need to be given to the delivery of tourist information in both the short term and longer term. An officer sub group will be established to work on an options appraisal.

2) Timetable

The report to Cabinet in February estimated that redevelopment of the Assembly Rooms would begin in the 4th quarter 2015/16 and be completed in 2017/18. The Phil Dix, Library and public realm elements were envisaged to follow and be completed in 2018/19. Due to the delays in receiving confirmation of funding and the cashflow of some of the funding streams a revised project plan has been drafted and is included within Appendix A. It still envisages a finish date in 2018/2019 but work on site at the Assembly Rooms is unlikely to begin until September 2016 although this does not impact on the planned closure. However, works to the Phil Dix and Library can commence earlier than envisaged in 2016. The library works will be undertaken by Staffordshire County Council utilising their existing partnerships with professional teams and contractors. There is a need to spend SLGF money in 2016/17 and therefore it would be sensible to progress the Phil Dix element of the project as soon as possible. This will require notice to be given to current users and tenants of the centre. They have been made aware that they will need to vacate the building and officers from the Council have been working with groups to identify alternative accommodation, including Marmion House. If groups do wish to take space at Marmion House it is expected that only minor works will need to be undertaken to accommodate them which will be funded from existing budgets. Cabinet are asked to authorise the timetable in appendix A and as such notice will be given to the users and tenants of the Phil Dix Centre in January 2016. The works to the Carnegie Centre are currently timetabled towards the end of the programme in the second half of 2017. However, marketing work will take place before then to identify a potential occupier and they may wish to take the building earlier. In any event, 6months notice will be given to users and current tenants at the appropriate time.

In order to undertake the works to the Philip Dix Centre the TIC will need to close. A sub group of officers will draft an options appraisal to consider the future delivery of the provision of Tourist Information in both the short term during the implementation of the project and in the longer term beyond. Cabinet are asked to endorse this approach and give delegated authority to the relevant Directors and Portfolio Holders to conclude and implement the options appraisal.

At present the professional team (architects, QS etc) for the Assembly Rooms is being procured and in due course the contractor procurement will begin. The works to the library and the public realm will be undertaken by Staffordshire County Council and the works to the Carnegie Centre are envisaged to be undertaken by the end user. This leaves the Philip Dix Centre element. To date, design work has been commissioned by the County Council using their joint venture vehicle Entrust. Given that this has been established through a competitive process and the work done to date, officers believe best value would be achieved by continuing to use SCC / Entrust on the professional services and Cabinet are asked to authorise their appointment. Similarly, SCC will be using a term contractor to undertake the build works on the public realm and library. Again, given that this appointment has followed a competitive process then officers feel best value would be achieved by asking SCC to deliver the build out of the Philip Dix using their term contractors. This will enable them to work on both elements at a similar time, minimising site set up costs and offering economies of scale.

OPTIONS CONSIDERED

The Council could decide not to underwrite the budget shortfall. This would put at risk external funding of £4.5m. It would also be difficult to procure any professional services or contractors without certainty over funding.

The Council could delay elements of the project. This would likely increase costs due to construction price inflation.

RESOURCE IMPLICATIONS

These are considered above. The grant funding has been confirmed as outlined above.

Projected capital costs (net of grant income) have now increased from £994k to £1.504.8m (including £1.0778m to be met from potential contributions from the sale of the former Golf course or from prudential borrowing).

Cabinet is to consider, as part of the budget setting process, underwriting the gap in funding of a total of £510.8k which would need to be met from the potential capital receipt from the sale of the former golf course or from prudential borrowing. Should borrowing be required then this will impact on the revenue budget relating to interest and debt repayment costs (c.£86k p.a.).

The estimated Capital and Revenue costs for the Council will be included in the 2016/17 Budget Report considered by Council in February 2016.

LEGAL/RISK IMPLICATIONS BACKGROUND

The project has an overall risk assessment that is attached in Appendix B.

It should be noted that the financial position described above is estimated and real costs will not be known until tenders are returned. The contingencies included above will help to mitigate any costs over and above those estimated. It should also be noted that the LGF award has not been formally confirmed.

SUSTAINABILITY IMPLICATIONS

The project seeks to restore and ensure the long term future of historic buildings.

BACKGROUND INFORMATION

None

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

Report to Cabinet, 19th February 2015 "Creative Quarter Update"

APPENDICES

Appendix A – Project Plan

Appendix B – Risk Assessment

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